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BOSTON'S OPERATING BUDGET FISCAL YEAR 1998



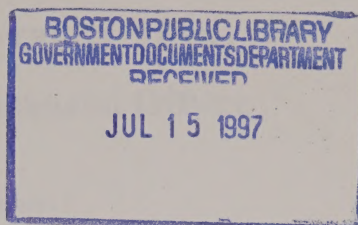
RECOMMENDED BUDGET – VOLUME I

Thomas M. Menino, Mayor

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Fiscal Year 1998 Operating Budget



Volume I Overview of the Budget

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GOVERNMENT FINANCE OFFICERS ASSOCIATION

*Distinguished
Budget Presentation
Award*

**PRESENTED TO
City of Boston,
Massachusetts**

**For the Fiscal Year Beginning
July 1, 1996**

Timothy H. Rividan *Jeffrey L. Esser*
President Executive Director

The Government Finance Officers Association of the United States and Canada (GFOA) presented an award for Distinguished Presentation to the City of Boston for its annual budget for the fiscal year beginning July 1, 1996.

In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan and as a communication device.

This award is valid for a period of one year only. We believe our current budget continues to conform to program requirements, and we are submitting it to GFOA to determine its eligibility for another award.

Technical Note

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CITY OF BOSTON • MASSACHUSETTS

OFFICE OF THE MAYOR
THOMAS M. MENINO

April 8, 1997

TO THE CITY COUNCIL

Dear Councilors:

I transmit herewith my Recommended Operating Budget for Fiscal Year 1998 for the City of Boston and County of Suffolk. This Budget, in the amount of \$1.42 billion, is soundly balanced.

Two things have remained constant throughout my four budget submissions. The first has been my focus on three main priorities: investing in our schools, investing in public safety to help our residents feel safer and investing in economic opportunity in our neighborhoods.

The second is the soundness of the City's financial position. I have proposed extraordinary funding increases for my top priorities, but I have also required financial restraint in other areas of spending. I have placed a high premium on initiatives to help reduce costs or increase the City's overall funding availability. The combination of accountability for the use of resources and tight spending controls has earned Boston the highest credit rating in its history for the latest bond issue, an accomplishment which, by itself, reduces interest costs so funds may be put to more productive use.

But stability does not mean stagnation. Boston's innovations and resulting accomplishments are being noticed around the country, particularly by other major urban areas tackling the same issues. From neighborhood policing to Read Boston, the Boston HealthNet to Main Streets, Boston's extraordinary efforts show how a commitment to clear goals pays off for the residents of Boston.

You know the record. With your support, funding of Public Schools has increased faster than the budget as a whole. As a result, enrollment is up, pilot schools are a successful in-district model of innovation, technology is taking hold, and we have enjoyed school openings free of labor disputes. We have added 400 new police officers to achieve the highest uniformed strength since the 1970's, while also introducing equipment and staffing innovations. As a result, our officers spend more time out on the street and prevent more incidents, leading to the lowest crime rates in decades. We have increased library hours and community center hours, added parks programs and extracurricular activities to provide constructive activities for kids. As a result, we have fewer young people involved in violent crime. And last year, we took on the tough issue of securing a public health mission that fits the realities of our times, creating a new Boston Medical Center through a consolidation of a private, non-profit hospital and the City's venerable hospitals. As a result, we have ensured health care for all, regardless of ability to pay, while improving the long-term viability of the hospital, to provide quality health care to the residents of Boston without sacrificing the fiscal stability of the City.

I am glad to say, therefore, that the budget request before you will sound familiar. The priority I have placed on education -- indeed, staking my reputation on it -- is met with a \$19.7 million increase to fund ongoing improvements in the curriculum standards and materials, continued projected growth in enrollment, and professional development components to the technology plan. The funding for public safety also covers the full costs of neighborhood policing, with 90 new officers on board by June 30th of this year. Fire Department staffing and equipment upgrades are also fully funded, with planned replacement classes to keep pace with attrition during the year. Total public safety funding accounts for \$7.3 million of this year's recurring revenue growth, plus \$3.3 million of non-recurring revenues applied toward the cost of opening the new Boston Police Headquarters. The appropriation request for the new Boston Public Health Commission adds funding for AIDS programs, breast cancer awareness, and the tobacco control initiative I recently approved after your unanimous vote.

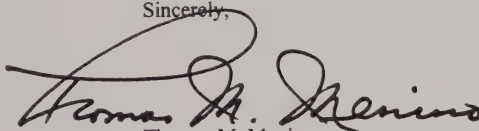
I am also recommending an appropriation to a collective bargaining reserve, to prudently plan for the anticipated settlement of major outstanding collective bargaining agreements, including the Boston Teachers Union of the School Department. A reserve of \$23.7 million will ensure that funding is available so that City operations will not be adversely affected. Supplemental appropriation requests will be submitted to the City Council to apply this reserve, as needed, to operating budgets.

Among the many projects we have pursued, the new Boston Police Headquarters marks a real turning point in the use of capital investments to improve the effectiveness of City services. The new Headquarters, coming on-line this fall, signifies a change in the way policing is done. With state-of-the-art crime labs and integrated communications systems, it prepares the City's Police Department for the next century.

After allocating resources to continue these initiatives and covering fixed costs, there is actually less discretionary funding available for other department appropriations. My Administration has thoroughly scoured every program's objectives and funding requests, and required justifications for every vacancy. Many departments have a lower appropriation, excluding the anticipated collective bargaining transfer, but all cabinets have ensured the maximum achievement of ongoing objectives as well as new program initiatives. For example, a consumer advocacy function has been restored to the Office of Consumer Affairs and Licensing, a Children and Family Services Program is being created in the Office of Community Partnerships to oversee a new early childhood program in partnership with community-based organizations, and a small investment in a new Health and Safety Program, as well as an improved Employee Assistance Program will lead to greater productivity of the City's workforce and ultimately better use of the City's limited resources.

As you scrutinize this Recommended Budget, I request that you examine the results: our new models of service that are being replicated in other cities and the incremental measures of success that are steadily increasing our investments in our communities. Our record is clear: investing in stable goals within revenue-driven fiscal constraints. I welcome your review and comments.

Sincerely,

A handwritten signature in dark ink, appearing to read "Thomas M. Menino". The signature is fluid and cursive, with a large, sweeping initial "T".

Thomas M. Menino
Mayor of Boston

Executive Summary



Executive Summary

Introduction

The Recommended Operating Budget for Fiscal Year 1998 is the thirteenth consecutive balanced budget for the City of Boston, the fourth budget submission by Mayor Menino. The goals of City government have remained constant throughout Mayor Menino's first term: innovations to improve education; alleviating the fear of crime in neighborhoods; and enhancing economic opportunity. The FY98 Recommended Budget is the fifth Operating Budget to reflect a stable level of growth, most often in the four to five percent range. However, below the overall stability of the City's goals and finances there is a burgeoning of new models of service and a concomitant redirection of resources.

The most compelling shift is in the funding of education for Boston's youth. The City's funding of the Boston Public Schools (BPS) has grown by \$83.4 million in the last four years, a 20.4% increase in BPS funding, versus a 16.3% increase for all other department appropriations in this time. BPS funding now commands 43.3% of departmental appropriations, an increase from 42.6% of four years ago. In addition, the state's institution of charter schools in 1994 now requires a City revenue offset; five charter schools are funded at \$14.8 million in FY98, the equivalent of another 1% of the City's budget. A full review of the goals, accomplishments, and finances of the Boston Public Schools is included in the Education chapter of Volume I.

Another major priority of Mayor Menino when he took office was to ensure a strong public health program for Boston by securing a fiscally viable, financially stable alternative for Boston City Hospital and Boston Specialty and Rehabilitation Hospital that would continue to serve all individuals regardless of ability to pay, particularly given the volatile health care environment. At this time last year, the Mayor was putting the finishing touches on an agreement with Boston University Medical Center Hospital to consolidate its operations with city-funded hospital operations, creating the new Boston Medical Center. Last year's Operating Budget and Capital Plan autho-

rizations funded the new terms of the City's commitment to the public mission of this new private hospital, and to a new Public Health Commission (PHC), the successor agency to operate the public health programs, emergency medical services, properties, and Trustees' operations of the former Department of Health and Hospitals. The new Boston Medical Center became a reality on July 1, 1996.

One year later, the Recommended Budget for FY98 meets the obligations of the merger agreement and public health commitments for current service levels, as provided under a long-range financial plan, and provides some funding for re-prioritized or newly delineated PHC obligations. The appropriation for the PHC funds program costs as well as the fixed costs associated with the former Department of Health and Hospitals such as pensions and debt service, a net subsidy for the operations of Emergency Medical Services (EMS), and the City's grant to the Boston Medical Center. A section on the first year of the new Public Health Commission and initiatives for FY98 follows later in this chapter.

The extraordinary accomplishments in these two major policy areas reflect heavily on the resources allocated in the Recommended Budget for FY98. Over the last four years, five major funding priorities have claimed \$156.5 million of budgetary increases: schools, public safety, public health, basic services, and community centers. (Figure 1.) The balance of City department appropriations has increased just \$16.4 million over this same time period. Furthermore, unsettled collective bargaining agreements require a budget reserve in anticipation of executed agreements taking effect for FY98, over and above these figures.

Within the parameters of the Mayor's goals and the limitations on available resources to make progress towards their accomplishment, there are many areas of City services that have been undergoing significant redirection and refocus as part of a continuous review of priorities and processes.

FUNDING PRIORITIES

Growth in Department Appropriations FY94 - FY98

	<u>FY94 Actual Expense</u>	<u>FY98 Recommended</u>	<u>Cumulative Increase (\$)</u>	<u>Cumulative Increase (%)</u>
Boston Public Schools	408,079,309	491,500,000	83,420,691	20.44%
Police	139,489,987	173,825,136	34,335,149	24.61%
Fire	87,958,538	100,463,194	12,504,656	14.22%
Basic Services	118,069,395	132,237,405	14,168,010	12.00%
DH&H/Public Health	30,715,324	41,769,707	11,054,383	35.99%
Community Centers	8,288,940	11,221,147	2,932,207	35.37%
Total Priority Increase	801,203,798	954,266,589	153,062,791	19.10%
All Other Appropriations	155,659,025	175,436,011	19,776,986	12.71%

Notes:

DH&H/Public Health figures adjust for FY94 revenue and FY98 debt service and pension.

All figures exclude collective bargaining increases effective for FY98, and transfer of previously centralized claims costs.

Basic Service figures exclude Snow Removal appropriation.

Figure 1

New Models of Service

The Mayor's State of the City theme in his January, 1997 address focused on "extraordinary times for ordinary people." Each and every day, ordinary citizens — conducting their businesses, raising their families, securing their futures — become engaged in extraordinary opportunities with and within their communities, in the broadest sense. Often these opportunities are proffered through their interaction with local government, usually invisibly. Particularly in an urban setting, most residents and visitors can easily identify "problems" that drive them away, but it is a much more subtle process when the city's vitality pulls people in, communities improve, and residents not only stay but invest in their communities. The community indicators of confidence are growing in Boston: property values and building permit activity are positive; a net in-migration to the City is evident; jobs are increasing and there are more

commercial store-fronts; public school enrollment has risen four years in a row; and crime rates have dropped to the lowest levels in decades.

All City program improvements are focused on helping ordinary citizens achieve the extraordinary that is within their potential. While the basic mission of most City departments has not changed significantly, many services have been restructured, updated, upgraded, or enhanced, not only to become more effective or efficient, but to exert some positive influence on community confidence, sometimes boldly, as in a new Early Education Center, library, or police class, sometimes less visibly, through improved street signs, cultural programs, or graffiti removal in the parks. New models of service have been unveiled, cutting across all cabinets and operations of city government. The innovative programs in the Boston Public Schools and the new, three-pronged public health service

"New Models of Service"

Basic Services

- Building a new type of library in Allston
- Library card applications sent to all school-age children
- Regional access to circulation
- Access to information through technology
- Consumer advocacy in partnership with state Attorney General
- Private Operation of Frog Pond maintaining public access
- Schoolyard Initiative public/private coordination for renovation and upkeep
- Animal Control Program fee revenues used to expand enforcement
- Municipal Police Commitment to BHA/Community Policing
- Longer term for bidding of refuse collection/disposal contracts
- Street light replacement & standardization policy
- Improved street signage for better parking regulation enforcement
- Graphic Arts technical advancements

Economic Development

- Convention Center
- Boston 400 long-range planning
- Empowerment Zone
- Promotion of Boston: "It's All Right Here"
- Abutter lots auctions: "Yard Sales"
- Up to Five new Main Street districts
- Neighborhood Housing - loans and counseling services
- Rental Assistance Fund - assistance for elderly and disabled
- Neighborhood zoning reviews

Education

- Seven in-district pilot schools
- Technology implementation with private start-up hardware donations
- Read Boston
- New Early Education Centers
- Center for Leadership Development
- Accreditation standards plan
- Exam school preparation

Environmental Services

- Sustainable Boston
- Open space planning
- "Clean or Lien It" private property code enforcement
- Price Equity Program

Human Services

- Welfare Reform Task Force

- Community Centers staffing plan based on sites' range of services
- Extended Day/Before School Programs
- Collaborating with housing developments
- Long Island Farm Project, job training opportunities
- Boston HealthNet/Community Health Centers
- School-based health centers
- Drug abuse education and awareness program

Public Safety

- Boston Comprehensive Emergency Management Plan
- Improved First Responder Training
- Upgraded dispatch technology, state-of-the-art lifesaving equipment
- Fire Prevention awareness program - community groups, schools, media
- Effective use of federal and state grants to accelerate achievement of highest level of uniformed strength in nearly two decades
- New Police Headquarters
- Staffing analysis and plans for reorganization and civilianization
- Use of technology to get more officers out on the street for more hours/day
- Second city-wide citizen survey
- Conversion of drug dens into affordable housing

Chief Financial Officer

- Preparation of Bond Issuance and Official Statement in-house
- Upgrade of Financial Information Systems
- Direct deposit for vendors, payroll
- More efficient deployment of assessors for Triennial Revaluation
- External Funds monitoring to maximize application of balances
- New distributed, City-wide budget management system
- Risk financing policy
- Taxpayer Service Center
- Workers' Compensation Preferred Provider arrangement
- Health & Safety incentive fund

Chief Operating Officer

- Management Development Initiative
- Employee Assistance Program expansion through partnerships
- Collective bargaining negotiations for all unions within fiscal constraints
- "Year 2000" planning process
- CyberHall
- Public information dissemination through high-tech media
- PC "business analysts" for each cabinet

model involving the Public Health Commission, the Boston Medical Center, and the community health center initiative, Boston HealthNet are summarized in later sections. The table above lists a broad sampling of other City services being delivered in different ways.

Major efforts include:

Linc Boston Project

Technology is having dramatic impacts on information access and dissemination. Not surprisingly, the Boston Public Library is a linchpin to many City efforts to connect the community via technol-

ogy. At the same time, high school accreditation standards are dictating that school libraries be electronically revamped with automated card catalogs. Also, with the educational and career opportunities afforded through technology, the City's community centers offer ideal sites for new hubs of on-line programs. When Mayor Menino promised to have one computer accessible for every four school students by the year 2001, he set the stage for rapid program development throughout the City. City departments were directed to coordinate their technology efforts to ensure maximum benefit towards this goal.

First, the Boston Public Library successfully completed the Gateway Project, linking Boston Public Schools to the resources of the BPL, and providing schools with a gateway to the Internet. The branch libraries in each neighborhood were also tied into the children's areas of the central library, effectively offering parallel resources throughout the entire library system.

The Boston Public Schools has been undergoing a systematic review of curriculum applications and professional development opportunities in preparation for a system-wide networking and computerization of classrooms. Each school has a technology task force, and two Net Days have resulted in quantum gains in school technology readiness while also rewarding individual schools as technology champions.

The Boston Community Centers provide a community-based forum to make computer technology available and accessible to all Boston residents and to develop connected communities. In collaboration with Microsoft Corporation, 20 community centers will be linked to the branch libraries, extending the availability of on-line resources. These tools will be used to provide full Internet hook-up, after-school tutorial on-line instruction, computer literacy training for adults, and access to on-line municipal information and job postings.

The culmination of these efforts is illustrated by the complete networking of

the Dudley Branch Library, Burke High School, and Shelburne Community Center. This model project was completed in January, 1997. Uniformed hardware and high-speed linkage create an entirely new model of service for all three areas of City government, and exponentially improve an ordinary citizen's chances of experiencing an extraordinary opportunity.

Boston Main Streets

The Main Streets initiative, now in its second year as an innovative City-wide downtown revitalization program, has delivered tangible results founded on a simple concept: urban neighborhoods thrive when their commercial centers are clean, safe, and inviting. Pulling in resources from the National Institute for Historic Preservation, other development grants, store chains, and business associations, the City has leveraged a small amount of direct City funding, along with a structured management plan and intense coordination of City basic services, to turn around the abandonment of Main Streets for suburban malls.

Currently, eleven Main Street programs have been designated across the City; nine more have applied for up to five additional designations to be decided this spring. Once a neighborhood commercial area generates the planning and support required for designation, the Main Streets program establishes a network of coordinated initiatives to address the specific needs of the area. The initiative addresses public safety concerns through neighborhood policing and crime watch programs, and involves City departments in "clean sweeps" to combat appearance issues such as graffiti removal, street lighting, and clean open space and eyesores. Business assistance consists of permitting, licensing, and other technical assistance and counseling coordinated by the Mayor's Office of Business Services working with the relevant regulatory agencies. The influence of the Mayor's Office may be used to connect a particular neighborhood need — a drug store or supermarket, a restaurant or laundry business — with potential developers or entrepreneurs. Finally, the Main Streets program markets the areas' unique char-

acteristics in direct comparison to the distant, less convenient malls, and continues to work with the neighborhood groups as issues arise.

Back to the results: in the 11 Main Streets underway for over a year, 20 new storefronts have had facades improved, and an estimated 435 new jobs have been created in Main Streets districts. Neighborhood residents report that they feel safer in their commercial center, and are clamoring for additional parking and amenities like trees and benches. For City residents with new jobs, new acquaintances, or new shopping routines, the once ordinary avoidance of these Main Streets has been gradually replaced by an extraordinary sense of stability and community.

HomeWorks

The intrinsic value of the size and scale of a city like Boston rests not in the cosmopolitan bustle of its downtown commuter population, but in the importance of each neighborhood square or block to the fabric of the entire City, as residents go to work and school, and come home. Homeownership, particularly for the large sector of Boston's middle class, and its ripple effect in terms of quality affordable rental units in the many two- and three-family homes, has been an essential focus of the City's economic development efforts.

The phasing out of rent control as a guiding policy in the pricing of rental units has left some of the City's most vulnerable — the elderly, disabled, and lower income working poor — in need of a new safety net model. The City's first proactive program shift has been the revamping of its Rent Equity Board which was originally charged with adjudicating rent control issues, to a new Rental Housing Resource Center, providing a clearinghouse of information for landlords and tenants throughout the transition period. The second proactive role taken by the City was to work with both the landlord and tenant associations to prevent any immediate crises and to collaborate on possible solutions, in order to avoid serious unintended consequences. The third

action by the City is now underway: the funding of a Rental Assistance Fund earmarked for qualifying elderly and disabled residents, to help them secure their homes by funding any rental increases that would jeopardize their ability to remain in their neighborhoods.

The City has continued a strong tradition of encouraging homeownership, providing first-time buyer assistance through financing endeavors with the area lending institutions, and financial planning and counseling services to interested buyers. Home investment has created a boomlet in values in many pockets of the City. Realizing the positive influence of homeowners sprucing up their properties — not only on re-sale value but also on the desirability of a community as a place to live and grow — Mayor Menino highlighted residential investment in his State of the City address, announcing the designation of some seed money to fund small home improvement matching loans to qualifying homeowners undertaking a fix-up or renovation project.

On any neighborhood street, the repainted porches, renewed landscaping, or bedroom addition may have become an ordinary occurrence, but the extraordinary pride and security for the family inside has probably caught the eye of the next door neighbors and the potential home buyer passing by.

Public Safety, Preparedness and Response

In the City of Boston, the priority given to public safety is very visible: there are 400 more police officers than four years ago, achieving the highest level of uniformed strength in nearly two decades; police stations and fire houses, cruisers, pumpers, and ambulances have been fitted with state-of-the-art equipment; and police, fire, and EMS personnel have been trained and equipped with the best preparation and prevention tools and techniques available.

The impact on life in the City is also very visible: a 19.5% drop in the Part I crime rate over the last four years, particularly in violent crime categories; improvement in the results of lifesaving efforts due to

emergency personnel arriving on-scene more quickly, and a 13% decline in fire incidents with dramatic reductions in the loss of life and property.

The new models of service in public safety cannot be summed up by "neighborhood policing," although this is a major priority in the City's strategy to alleviate the fear of crime and increase stability in the neighborhoods. The primary shift in preparedness and response is occurring behind the scenes. Major technological upgrades have been completed for public safety purposes. The City is now implementing a new computer-aided dispatch system, and an invisible switch-over to Enhanced 911 service took place in June, 1996. A totally renovated emergency back-up operations center is underway, another invisible improvement in public safety that puts the City in a state of preparedness under any emergency situation. An overarching initiative for these new service improvements is a comprehensive emergency management plan that is being rewritten to account for the changes in preparedness and response capabilities, as well as the changes in the nature of urban emergencies. Furthermore, these initiatives are being pursued through collaboration of all public safety agencies in the City, most notably the Police, Fire, and EMS Departments.

To the ordinary citizen who may never make a call for emergency assistance, these new public safety models will, thankfully, remain invisible. In the unlikely instance that an emergency occurs, the heightened state of preparedness and improved response will undoubtedly result in an extraordinary opportunity to make the difference between health or injury, or between life or death.

Following Through on Continuous Review

In the current environment of government needing to do more with less, the overriding context for service delivery by Boston City government is a continuous review of programs and operations. In the last year, many new models of service kicked in or took off, while many other

service initiatives are in various stages of multi-year planning and implementation. The shift in the allocation of resources requires that many innovations occur within or below existing funding levels for a specific program area. An Action Plan to provide a City-wide guideline for ensuring the success of new, improved ways of organizing services was spelled out in the Recommended Budget of FY97. The nine point Action Plan has met with the following results, to date.

1. Continuous review of operations and business practices. This year's budget process provided more advance time for review of current program initiatives and service levels, to give the City's cabinet an opportunity to realign budget requests to meet the shifting needs of programs.
2. Managed Reduction. A task force headed by the Chief Operating Officer and Chief Financial Officer focused on the Early Retirement Incentive program to require a justification for filling each position vacated. This management effort resulted in limiting new position approvals to about 54%, well below the goal of 75%.
3. External Funds. This initiative is currently working on two fronts. First, the Auditing Department strengthened its monitoring of the financial position of grants coming to the City. This helps to optimize the effective use of grant dollars by making sure all available funds are tapped before funding terms expire, and by applying relevant administrative costs to be covered by grants. Second, an inter-agency task force is initiating proactive position papers on legislative issues at all levels of government, and coordinating various efforts to canvass and apply for new external funding opportunities.
4. Early Retirement Incentive Program. With the Managed Reduction Task Force ensuring control of backfilling of positions, this program will result in a net savings to the City. A total of 219 retirements took effect by December 31, 1996. Every vacancy created by these retirements was wiped out of the Budgeted Position Control on that date. Only 118

positions were approved in exchange for these 219 vacancies. At an average retirement salary of \$40,000 plus pension costs, and an average hiring salary of \$35,000 plus benefits, the net savings to the City would be an estimated \$2 million.

5. Initiatives. To ensure follow through on planning and implementation of initiatives, it was envisioned that the Mayor's Office would enforce a new "milestone and progress report" to continuously track and manage all initiatives. In the end, the ongoing monthly management information reports, the Mayor's Management Report summarizing every program's service levels for the past fiscal year, and a continuous review of initiatives at the cabinet level rendered a separate reporting framework unnecessary. The "FY98 Budget and Performance Goals Process" chapter explains the City's formal systems for managing for results throughout City government.

6. Performance unit costing. The implementation of a new unit costing methodology to better understand the costs of services did not occur in the past year. Instead, tighter accountability in reporting through the monthly management information reports has provided a stronger, more meaningful base of service indicators and outcome measures. The implementation of a formal financial accounting methodology is on hold, pending the procurement of a new financial information system.

7. Productivity Investment Fund. The City Council did not approve the Mayor's home rule petition for a revolving fund to allow departments to submit innovative investment ideas for this loan repayment funding mechanism.

8. The cabinet structure. Some realignment between cabinet functions continues to occur. This year, the Boston Housing Authority director became a cabinet level position, due to the importance of affordable housing policy and program innovations.

9. Two-year budget. The two-year budget horizon presented last year has been updated with this budget. The largest vari-

ance between the FY98 forecast and this Recommended Budget was an increase in state aid revenue to meet education reform aid obligations significantly above conservative estimates. The two-year planning context is continued in the Summary Budget chapter.

City Resources

Complementing the management of City service delivery through continuous review and cabinet coordination for accountability, the management of the City's resources remains the foundation for all that is possible for City government, since, in the end, the City is required to have a balanced budget. Although the fundamental financial structure for the City has not changed much recently, particularly given the recent experience with stable, moderate growth in general fund revenues, a few key areas of budgetary policy are undergoing substantial review and innovation themselves.

Coordinated Approaches to Capital and Operating Budget Funding

Prior to Mayor Menino's decision to merge the former capital planning office and former budget office into a single Office of Budget Management, the only regular contact between the two was when the budget requirement for debt service was provided. With the consolidation of these two finance functions, and the coordination under the Finance Cabinet that has enabled in-house production of Official Statements, the complexities of funding options and their impacts are much clearer. Current initiatives include a long-term forecast to track debt service and capital expenditures in relation to program budgeting options; analysis of school capital projects and reimbursement impacts on borrowing and revenues; project management tracking for capital improvements to better prepare for program and funding impacts; and a joint design of a budget development database for capital and operating budget requests and variance tracking. See the chapter entitled, "Capital Planning"

for a more complete review of these initiatives.

All Funds Program Budgeting

In addition to the use of debt to accomplish long-term objectives, other financial instruments and resources have complicated the clean lines between resource allocation and service level decisions. Major shifts in federal and state funding over the last few years in the areas of education, housing, economic development, infrastructure, and entitlements, and the devolution of responsibilities to local government as a general trend have encouraged municipalities to try to leverage their own funds to attract foundation funds, private sponsorship or operation of programs, and volunteer or in-kind donations. Many such arrangements require long-term financial commitments that may alter the level of future city dollars available for discretionary funding. The departmental budget requests contained in Volume II present external and capital funding levels for a more comprehensive "all-funds" picture of resources and services. The Summary Budget section also presents a City-wide budgetary overview of these external or non-general fund resources for the first time.

Risk Financing

The City of Boston has historically funded risks such as property damage, liabilities, workers compensation, and the employer share of health insurance coverage for City employees on a pay-as-you-go basis. Only long-term pension obligations have been placed on a schedule to eliminate the unfunded liability on an actuarial basis as opposed to pay-as-you-go. The City's Finance Cabinet, coordinated through the Risk Management Office, is undergoing a comprehensive review of this financing policy. A major area of the review involves a cost-benefit analysis of commercial insurance options that are often undertaken by municipal governments as one part of an overall risk financing plan. An appropriation request to begin funding a Risk Retention Reserve is included in the Mayor's Recommended Budget for FY98. Another risk

financing strategy that is being tested in this Recommended Budget transfers the once centralized legal liability and disability costs back into departments' operating budgets in the form of a premium, to provide incentives for departments to participate in managing risk in a manner that lets them realize the benefits of any cost reductions in their own budgets.

Personnel Costs

In a service industry such as municipal government, the total costs of operations are inevitably driven by personnel costs, primarily salary and benefits. Personnel expansion in the City's major priorities of education and public safety over the last four years are fully accounted for in this Recommended Budget. Direct City-funded salaries account for more than half of departmental expenditures; cost of living increases projected for FY98 will account for half of the growth in the City's Operating Budget from FY97 to FY98.

A major focus of any budgetary control effort is to carefully plan for, monitor and evaluate the funding of personnel positions. The effectiveness of the Early Retirement Incentive due to the scrutiny of the Managed Reduction Task Force is intended to be replicated for any changes to budgeted personnel positions during the next fiscal year. The collective bargaining negotiations underway for nearly every unionized group of City employees are tied to the overall financial parameters of the budgeted collective bargaining impact, and each offer is costed out against these parameters. It is expected that any significant deviation from the projected financial impact will be absorbed by operating contingencies within each department.

The FY98 Operating Budget

The chapter entitled, "Summary Budget FY98 - FY99" walks through the revenues and expenditure trends and fully describes the allocation of resources in the Recommended Budget for FY98. Other chapters in this Volume I Overview detail the City's financial structure and management policies. The major policy priorities of Mayor Menino, particularly education,

public safety, and programs for youth, command an overwhelming proportion of this allocation, as illustrated in the program and department budgets detailed in Volume II.

The Recommended Budget for FY98 is built on a 4.9% increase in recurring General Fund revenues, representing the fifth straight year of modest growth. (Figure 2.) The City's property tax levy accounts for 39% of the total increase from last year, or \$27.2 million. Another \$25.6 million or 36% of the increase stems from state aid. The \$13 million in growth from various departmental income sources contributes 18% in new revenues. Another \$4.3 million in additional revenues comes one-time from non-recurring revenue to fund one-time costs. These categories and trends are explained in detail in the sections that follow. (See "Summary Budget FY98 - FY99" and "Revenue Estimates and Analysis.")

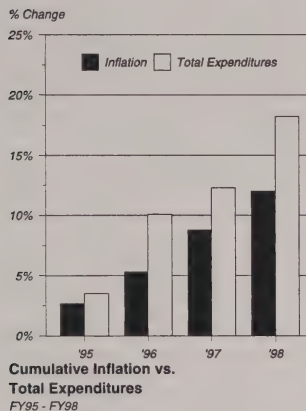
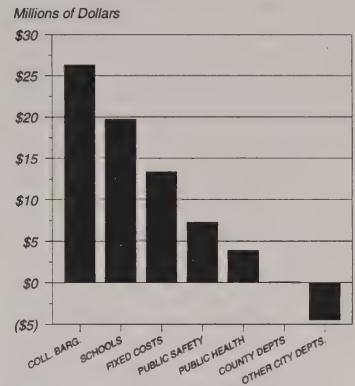


Figure 2

Program Highlights in the FY98 Recommended Operating Budget

The spending plan outlined in the departmental budget requests that follow reflects Mayor Menino's priorities and the

positive results gained to date in the areas of education and public safety, the services to youth throughout the City, and healthy and vibrant neighborhoods. The allocation of the \$70.45 million growth in revenues over the FY97 Budget clearly illustrates how City dollars are directed to these priorities. (Figure 3.)



FY98 Allocation of Increased Revenue

Does not include \$4.3 million of non-recurring revenue

Figure 3

Limited new program funding is earmarked for:

- **Schools** — The BPS appropriation is increasing 4.2% to fully fund projected enrollment, updating curriculum standards and assessments, seven pilot schools, and the LINC Boston school technology plan. Refer to the Education chapter for a thorough review of BPS program funding.
- **Police Department** — The Police Department appropriation is increasing over 4% to fund 90 new officers hired in FY97, achieving the highest level of uniformed staffing since 1979. Continued technology upgrades are funded across many functions, and an additional \$3.3 million will fund the costs of equipping and transitioning to a new Police Headquarters early in the fiscal year.
- **Fire Department** — The Fire Department's increase of just under 4% will cover the costs of the full complement of suppression staffing as determined by the Commissioner, a car-

ryover of the 99 firefighters added in the FY97 Budget. Computerization of many administrative functions within the Fire Department will also continue.

- **Public Health** — Within the Public Health Commission budget which is slated for a \$4 million or 6.4% increase, Mayor Menino has requested additional funding for AIDS programs, Breast Cancer awareness and Tobacco Control. Also, the Mayor has added a drug abuse policy position or "drug czar" to his staff, and a mobile health van to reach residents that are isolated from appropriate health care venues is about to be instituted through the Human Services Cabinet. More detail on the new programs provided by the Public Health Commission is provided below.
- **Youth** — the many initiatives planned for by various Boston Community Centers are about to explode onto the scene. In addition to the increased Saturday hours and two newly renovated centers that have opened recently, two completely rehabbed pools will open for business this summer. The successful Girls' Centers program will be expanded to additional sites. In the libraries, children's librarians have been added at two branches, and library card applications have been mailed to every school-aged child in the City. The Mayor has also committed to funding a new Office of Children and Family Services, leveraging \$500,000 in City funding with \$3.5 million in new state dollars to support community-based early childhood programs.
- **Neighborhood Services** — in addition to maintaining a high standard for basic city service delivery to keep streets, properties, and parks safe, clean, and attractive, special programs are being funded to build neighborhood pride and vitality. The new Frog Pond refrigerated skating rink and reflecting pool on Boston Common, which opened this winter with resounding accolades, is the subject of an innovative bidding process to procure private management expertise but also guarantee public access. Code enforcement around animal control and licensing has been expanded through a transfer of staffing to make sure animals are an asset rather than a hindrance to the quality of life in an urban setting. A new consumer advocacy initiative will assist Boston residents, in partnership with the state Attorney General's office.

The Boston Public Health Commission

On July 1, 1996, the City of Boston entered a new era in public health care with the establishment of the Boston Public Health Commission. At its inauguration, Mayor Thomas Menino's stated his vision of the new health entity, saying "This commission represents my commitment to a strong and independent public health care system in the City of Boston. This commission will be the public mouthpiece for health care in Boston, and its members will be the agenda-setters as we move into the future. The Public Health Commission will work with the new hospital and our community health centers to ensure that Boston has the best urban medical center possible."

The commission was created by the transfer of all assets, liabilities, rights, and powers of the City's Department of Health and Hospitals (DHH) and the separately chartered Trustees of Health and Hospitals (THH) to the commission. Substantially all employees of DHH and THH whose work was primarily related to the provision of non-hospital, public health, or emergency ambulance programs and services became employees of the Public Health Commission.

The establishment of the Public Health Commission was accompanied by the consolidation of the City's two hospitals, the 348-bed Boston City Hospital and the 151-bed Boston Specialty and Rehabilitation Hospital, with the Boston University Medical Center Hospital. The merged hospitals now operate under the Boston Medical Center Corporation, with the former Boston City Hospital and Boston University Medical Center Hospital chartered as the Boston Medical Center.

As a result of the merger, the Public Health Commission provides for the governance and functioning of the public health system of Boston, and develops public policy for public health initiatives. Working with Boston Medical Center and eight affiliated Community Health Centers, the Commission provides a full continuum of health services through a comprehensive network of providers.

The Commission also gives financial support for several neighborhood outpatient clinics. Moreover, the Commission offers a variety of specialized services such as public health nursing, AIDS treatment and prevention, communicable disease control, injury prevention, the operation of the City's homeless shelter program, substance abuse treatment, health services for children, and full ambulance service within the City of Boston.

This arrangement, unique in its combination of public and non-profit entities, maximizes the ability of two venerable hospitals to serve the health needs of anyone in Boston, regardless of ability to pay. Already closely affiliated by mission as well as location, the formerly separate hospitals combine with the merger medical and administrative resources to strengthen health care services, medical instruction and training, and grants management.

In financial terms, this new structure eliminates the stream of revenues from hospital reimbursements and removes the operating expenditures of BCH and BSRH, leaving behind only the expenditure obligation defined for the PHC. Without this change in structure, the net cost for these operations was projected to result in a \$10 million higher expenditure in FY98 due to lower reimbursements, declining volume and higher expenditure levels. (See "Summary Budget FY98 — FY99").

Continuing Commitment

Mayor Menino has made public health services a top priority, reflected in consistently increasing financial commitments in each budget. From FY94 to FY98, the subsidy for public health services increased 35% in nominal dollars, more than any other program operation in the City budget. During this time service expansion and improvements for Emergency Medical Services were almost completely covered by increased revenues from patient transports.

The new hospital entity, Boston Medical Center, will receive City support even though the hospital is not a legal entity of the City of Boston. In FY97 the Boston

Medical Center received \$6 million for assistance grants, and \$1 million for merger-related costs. Boston Medical Center has access to City debt service for up to \$8 million in capital projects. This amount grows to more than \$9 million in FY98 and past \$15 million in fiscal 2001.

In terms of service delivery, the Public Health Commission cements the City of Boston's commitment to the delivery of preventive public health and primary care. The hospital merger, meanwhile, provides the strongest foundation for the continued provision of more tertiary and trauma care.

Community-Based Services

At the core of the Public Health Commission's activity is the emphasis on community based services. The commission provides more than \$5.1 million in financial support to eight community health centers in Boston in FY97. Through the health centers, Boston's neighborhoods benefit from a myriad of health services, ranging from primary care to infant mortality prevention. The success of this approach is evident in specific community health outcomes. For example, the number of tuberculosis cases in Boston is at its lowest level ever, and the number of childhood immunizations is highest among U.S. urban areas.

By focusing resources in diverse communities, the health centers are able to employ a preventive rather than reactive approach to health care delivery. This strategy helps ensure that the health care needs of Boston are met most effectively and in a fashion most conducive to each individual neighborhood. Services provided at the health centers include:

- *primary care*
- *infant mortality prevention*
- *maternal and child health*
- *substance abuse treatment, prevention, and counseling*
- *youth programs*
- *violence prevention*

Key to the success of the centers is information on the health of the communities that the centers serve. The commission has designed a model data and informa-

tion system based on Health Status Reports. These reports provide information on health indicators in each neighborhood. This information is disseminated in communities so that residents and service providers can assess the health needs within each neighborhood and dedicate resources and outreach efforts in those areas.

Prevention

Besides the community health centers, the Public Health Commission funds a variety of initiatives in preventive care. These include communicable immunization, disease control, environmental health enhancement, smoking prevention, infant and child health, injury prevention, and school health.

Child Immunization

The Boston Communicable Disease Control Program is a national leader in immunization rates, protecting the city's youngest residents. Boston has the highest immunization rate for children age 2 and under in the country. The Boston rate of 86% compares favorably with the national median, 72%.

One component of the Public Health department's effort to maintain such noteworthy immunization rates is the development of a computerized tracking database, known as the Boston Immunization Information System (BIIS). This system was developed in 1993 with input from more than 40 local community groups and health providers. Boston was at the forefront with this technology and today many other health departments around the country are adopting similar tracking systems to boost immunization rates. Today, there are 28 sites in Boston that use the BIIS, including health centers, hospitals and private physician offices. With the system's ability to monitor children immunization records, participating providers have seen a 27% increase in immunization rates for their patients.

Injury Prevention

Knowing that injury is preventable, the Childhood Injury Prevention Program has been working since 1986 to reduce the un-

necessary toll of childhood injury through behavioral and environmental changes. In 1996, over 2,000 discount bicycle helmets were distributed or sold to parents at Boston Medical Center, the Boston Public Schools and at community events. This year, Mayor Menino announced Buckle Up Boston!, an initiative that will distribute over 3,000 car safety seats to families through health centers, hospitals and housing developments. The Kids Can't Fly campaign prevents children from falling from windows by using hardware and education. Window guards, pamphlets and presentations have helped this national model achieve a 67% decrease in the number of window falls over the past three years.

Infant Mortality

In recent years, Boston has made significant progress in reducing infant mortality. The infant mortality rate (IMR) in Boston has decreased to 6.8 per 1,000 births. This represents a decline of 24.5% from 1994 and the lowest infant mortality rate in Boston since 1980. Just nine years ago, the overall IMR in Boston was 24 deaths per 1,000 births.

To reduce infant mortality, the City of Boston has made substantial investments in preventive care, outreach, and education. These efforts include:

- *Investing city dollars in pre-natal, infant, and women's health through such programs as Healthy Baby/Healthy Child, Childhood Injury Prevention Program, Domestic Violence Prevention Initiative, Healthy Start, and the Mom's Project.*

Recognizing the need for primary care for teenagers, especially adolescent girls, by ensuring there are on-site health centers in most high schools in Boston. Currently, 12 high schools have health centers, of which eight are supported by City dollars through the School-based Health Program.

Specifically targeting communities of color, where birth weights are lower and infant deaths are higher.

Substantial investments in research have also contributed to this improvement. The City of Boston has committed to col-

lecting and studying data on infant mortality with three goals in mind:

1. To deepen the understanding of the full context in which infant deaths occur, particularly those in communities of color.
2. To develop a process in which deaths for infants ages 0-12 months can be reviewed for contributing factors, from which changes to programs and policies can be made.
3. To bring together key health and social service professionals and community leaders to translate these findings into action-oriented recommendations.

Tuberculosis

The highest population at risk of contracting tuberculosis include persons who are HIV-infected, injecting drug users, homeless, and foreign-born individuals. In Boston, the Tuberculosis Control Program continues to provide clinical services, preventive measures, surveillance, containment and control of tuberculosis through education and treatment. These initiatives have seen tuberculosis cases steadily decline since 1990, and during the decade TB cases have dropped 42%. (Figure 4.)

The outreach efforts of public health nurses, outreach staff and pulmonary physicians have broken down barriers that infected patients might face by ensuring coverage and treatment for all, regardless of ability to pay, and by providing culturally sensitive and language-specific care, with 16 languages spoken.

EMS

Three years ago, Mayor Menino funded an expansion of Boston EMS to improve the response to those facing medical emergencies. Boston now has 261 Emergency Medical Technicians and paramedics on the streets, an increase from 190 in FY95. In addition, the FY97 budget included the purchase of 14 new ambulances. The growth in EMS personnel and vehicles has resulted in a 40% increase in pre-hospital coverage for the city. Also with the Mayor's expansion, EMS has surpassed its goal of a median response rate of seven minutes for Prior-

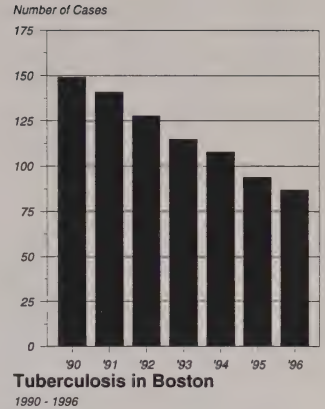


Figure 4

ity One calls, answering such calls in an average of 5.9 minutes. Priority One calls include trauma, cardiac arrest and other life threatening emergencies.

In addition to these enhancements of service, EMS has embarked on a comprehensive training and prevention campaign, the Sudden Cardiac Death Prevention program. This initiative provides training and equipment to as many people in the community as possible to respond to a cardiac arrest. Through the program, all Boston and Massport firefighters are given CPR and defibrillation training. Semi-Automatic External Defibrillators (SAED) are standard equipment on all Boston Fire Engine Companies and EMS ambulances. In FY98, EMS looks forward to training selected Boston Police staff and to start pilot programs in the Boston Public Schools to increase awareness on CPR.

The combined impact of these enhancements has been remarkable. The survival rate from sudden cardiac arrest is 50% higher than it was just three years ago. In the last year alone, 45 people whose heart had stopped beating were resuscitated and discharged from the hospital. Boston now boasts the second-best car-

diac arrest save rate in the United States, and Boston compares favorably with other dense urban areas. Boston's rate is six times higher than that of New York and five times higher than in Chicago. (Figure 5.)

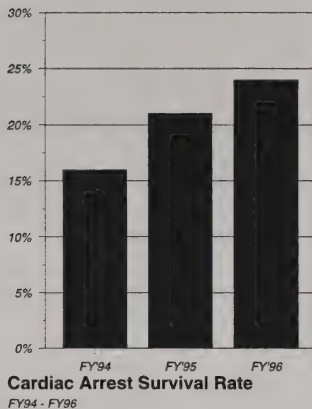


Figure 5

New Initiatives

Increased AIDS funding

This year's budget includes \$250,000 in additional funding for the prevention and treatment of AIDS that the Mayor committed to in his January, 1997 State of the City speech. During the next year, Public Health AIDS Services will establish an HIV prevention planning group, which will work with the commission to develop epidemiologic profiles of the current and future population with AIDS, assess prevention needs, and establish a comprehensive plan to prevent HIV.

Boston has long been recognized as a leader in efforts to reduce the spread of AIDS. Public Health AIDS Services is often included in national and international symposia on AIDS and public health. The wide spectrum of services provided by Public Health AIDS reflects the complexity of the epidemic, and of the populations particularly impacted.

Interventions encompass prevention, education, counseling, testing, needle exchange, drug treatment, and contracted services with community-based organizations. The City of Boston supports AIDS initiatives through administrative and agency contracts, which totaled nearly \$2 million in FY97. Also impressive has been Boston's success at attracting federal grants through the Ryan White Care Act, which has grown from \$2.2 million in FY91 to \$8.5 million in FY97. The combined City and federal dollars have increased AIDS funding more than \$1 million annually since FY91.

Tobacco Control

To date, the Tobacco Control Program has been a state funded initiative designed to increase awareness about the public health effects of tobacco use. This year, the City with unanimous support of Mayor Menino and City Council, approved an ordinance that will limit access to tobacco products for youth under the age of 18. The addition of City funding will provide resources to enforce the Youth Access to Tobacco Ordinance. Under the ordinance, cigarette vending machines and other devices and certain display materials promoting cigarettes will be prohibited in Boston. A stepped series of fines will be levied against violators, with higher penalties for repeat offenders.

Other Services

Beyond public health and related services, the Public Health Commission also supports other initiatives at locations operated by the commission. The former BSRH campus contains several buildings that house programs that serve populations affected by physical and mental abuse, substance abuse, AIDS, and stress-related conditions. The open space of the campus is conducive for many experiencing complicating life circumstances that would otherwise be debilitating. On the former Long Island hospital site the City provides shelter and employment services for homeless residents. Notable among the many initiatives on Long Island is the farm, which allows workers to gain skills in agriculture and culinary arts.

Men and women participating on the farm receive wages, health services, educational instruction, and mental health and substance abuse recovery services.

The Future

The Public Health Commission is fortunate to have within its ranks leading practitioners implementing imaginative solutions to problems faced by economically and culturally diverse populations. With the establishment of the independent commission, the emphasis on preventive public health will continue, benefiting the population it serves. At the same time, the City's support of Boston Medical Center will ensure the continuum of care that is so vital. Contemporary pressures on health care have called for answers beyond traditional resolutions, but the steps taken by the City of Boston ensure that the tradition of outstanding medical care for all, regardless of ability to pay, will not change.

How to Read the Budget

The Recommended Operating Budget for FY98 is presented in two volumes. Volume I provides an overview of the City's overall policy direction and financial position. The summaries of revenue and expenditure trends and issues,

administrative priorities, and management strategies provide the foundation for the policy decisions and resulting allocation of resources detailed in the departmental funding requests.

Volume II presents the detail in support of each department's funding request. Each department's mission, key objectives, and past performance, promised performance and planned expenditures by line item explains the purpose of the requested operating budget.

Tables of all General Fund, grants and other external funds, and capital projects to be completed by the end of FY98 are included by department. By program, key performance outcomes reflect how resources will be applied to improve services, or the effects of trade-offs in service levels. Several years of past performance and personnel and funding levels are provided for historical comparison.

Departmental personnel tables list the actual funding for specific titles and numbers of positions. Program line item detail is not shown, except for the split between personnel and non-personnel funding; however, the departmental line item request is the result of the roll-up of all program budgets as the basis of budget planning. Program budget detail may be provided upon request.

Summary Budget FY98 - FY99



Summary Budget

OVERVIEW

The proposed FY98 budget of \$1.415 billion in recurring revenue and recurring expenditures represents a 4.9% increase over the FY97 recurring revenues and expenditures. Also included in the overall budget is \$4.3 million in non-recurring revenue and expenditures which brings the total budget increase to 5.2%. Three-quarters of the City's revenue increase comes from its two largest revenue sources, the property tax levy and state aid. The property tax levy is expected to increase by \$27.2 million, and state aid by \$25.6 million. In addition, there is small growth in several other major recurring revenue categories. On the spending side of the budget, total departmental appropriations, (including the \$4.3 million in non-recurring expenditures) increase by 5.2% and fixed costs increase by 5.5%.

The City recorded its eleventh straight surplus in FY96. During FY97, the City's bond rating was upgraded to an historical high. The City is currently well-positioned to maintain a balanced budget for FY97. FY97 is the first fiscal year subsequent to the merger of Boston City Hospital and Boston University Medical Center Hospital. The transition from subsidizing the former Department of Health & Hospitals to appropriating a direct subsidy to the successor Public Health Commission provides the City with long-term protection from increasing hospital costs. (Figure 1.)

This Summary Budget section reviews the overall FY97 budget and the proposed FY98 budget, and the trends in each category in the summary budget table. A more detailed look at personnel trends and a projection of FY99 budget categories follows this discussion.

Overview Fiscal Year 1997

Total planned FY97 expenditures increased by \$26.0 million or 2.0%. This relatively small increase is somewhat misrepresentative since one-time costs related to the hospital merger were

booked in FY96 and thereby diminished the difference between FY97 planned and FY96 actual expenditures. On the revenue side, large increases in the property tax levy and state aid are offset by significant decreases in interest income, miscellaneous departmental income, and excises. The growth in planned FY97 departmental appropriations is 1.5%. Fixed costs, however, are budgeted at 3.9% higher than FY96. The FY97 budget covers all the costs for pay raises negotiated with the unions to date.

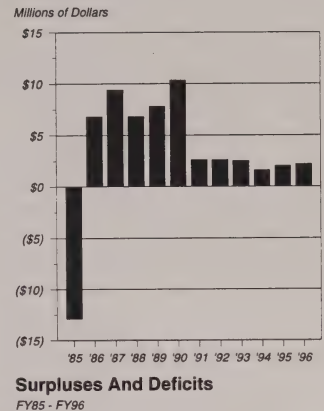


Figure 1

Overview Fiscal Year 1998

Total planned FY98 revenues will increase by \$70.5 million or 5.2% due largely to the property tax levy growth and state aid growth. This revenue growth provides the basis for planning FY98 appropriations and fixed costs to maintain a balanced budget. Overall, the proposed FY98 budget includes \$1.42 billion in expected revenues and planned expenditures. Following is a brief description of each category in the summary budget.

CITY OF BOSTON

BUDGET SUMMARY

(Dollars in Millions)

	FY95 Actual	FY96 Actual	FY97 Budget	FY98 Budget
REVENUES				
Property Tax Levy	689.95	719.45	748.95	776.17
Overlay Reserve	(43.90)	(36.76)	(38.03)	(36.96)
Excises	52.77	57.34	53.66	58.46
Fines	50.40	47.24	45.65	48.34
Interest on Investments	13.96	22.86	10.00	16.00
Payments In Lieu Of Taxes	12.56	17.36	18.44	18.30
Urban Redevelopment Chapter 121A	35.17	32.18	30.56	30.51
Miscellaneous Department Revenue	25.92	34.85	28.74	26.49
Licenses and Permits	15.15	19.96	17.21	17.28
Penalties & Interest	9.22	8.62	7.65	8.75
Available Funds	4.10	7.50	9.20	9.20
Hospital Revenue	179.69	206.82	0.00	0.00
State Aid	346.32	359.92	382.14	407.76
Teachers Pension Reimbursement	33.73	34.82	35.00	35.00
Total Recurring Revenue	1,425.05	1,532.16	1,349.16	1,415.31
Non-Recurring Revenue	0.00	0.00	0.00	4.30
Total Revenues	1,425.05	1,532.16	1,349.16	1,419.61
EXPENDITURES				
City Departments	518.02	546.68	563.17	572.83
DH&H / Public Health Commission	218.45	282.30	60.89	64.77
County Departments	15.03	10.03	9.27	9.34
School Department	424.94	456.15	471.77	491.50
Reserve for Collective Bargaining	0.00	0.00	0.00	23.75
Total Appropriations	1,176.44	1,295.16	1,105.10	1,162.18
Pensions	101.65	94.10	98.71	102.28
Debt Service	84.88	78.33	82.40	90.62
State Assessments	60.08	61.60	62.95	64.52
Reserve	0.00	0.75	0.00	0.00
Total Fixed Costs	246.62	234.79	244.06	257.43
Total Expenditures	1,423.06	1,529.95	1,349.16	1,419.61
Surplus (Deficit)	2.00	2.21	0.00	0.00

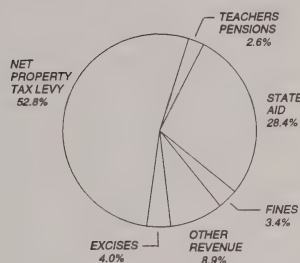
Numbers may not add due to rounding

REVENUE

Property Tax Levy

Detailed discussion of the property tax levy is provided in the "Revenue Estimates and Analysis" section of this volume. Below is a brief summary.

The property tax levy has been the City's most dependable source of major revenue growth during the past thirteen years. The increases were steady and consistent from FY85 to FY97, ranging from \$28 million to \$41 million. However, because of the increasing property tax levy base, the \$29.9 million increase in FY85 represented an 8.9% increase, while the \$27.2 million increase in FY98 represents a 3.6% growth rate. Property tax levy growth is fundamental for the financial health of the City since it provides over half of all City revenue in FY98. (Figure 2.)



FY98 Estimated Revenue

Numbers may not add to 100% due to rounding

Figure 2

Proposition 2 1/2 has been the overwhelming factor affecting the City's property tax levy since being passed in 1980. Proposition 2 1/2 limits the property tax levy in a city or town to no more than 2.5% of the total fair cash value of all taxable real and personal property. Due to

this requirement, Boston's property tax levy was reduced over three years from \$518.6 million in FY81 to \$333.2 million in FY84. It also limits the total property tax levy to no more than a 2.5% increase over the prior year's total levy with certain provisions for new growth and construction. Finally, Proposition 2 1/2 provides for local overrides of the levy limit and a local option to exclude certain debt from the limit. The City of Boston, however, has not voted to either override the levy limitations or exclude any debt from the limit.

In each year since FY85, the City has increased its levy by the allowable 2.5%. During these same years, the levy has also been positively impacted by taxable new value, especially from new construction in the 1980's and additional personal property in recent years. The combined effect of the allowable 2.5% increase and the taxable new value is an average annual levy increase from FY93 through FY97 of 5.1%, and a projected increase in FY98 of 3.6%.

During the final stretch of the 1980's upswing in real estate values, between January, 1986 and January, 1990, the City's total taxable value went from \$24.2 billion to \$36.4 billion. Subsequently, the New England region experienced a deep recession, and activity in both the commercial and residential markets slowed dramatically. Office vacancy rates increased and downtown development came to a near standstill. All of this was reflected in the fourth City-wide revaluation, establishing values as of January 1, 1991 at \$29.8 billion, an 18.1% decline from the prior year. This was followed by decreases in taxable value of 8.4% and 1.9% in the following two years. This slide in values was reversed according to the fifth city-wide revaluation, which showed a 5.0% increase to \$28.1 billion as of January 1, 1994, followed by increases of 4.5% and 5.5% in the following two years. The City's current taxable value (for the FY97 tax billing) is \$31.0 billion.

As values decreased in the early 1990s, the City continued each year to maximize the allowable levy increase under Proposi-

tion 2 1/2. Between FY90 and FY94, the levy increased each year by an annual average of 6.4%. The dramatic decrease in values brought the effective tax rate (levy / taxable value) from its healthy low point of 1.4% in FY89 to 2.47% in FY94, dangerously close to the Proposition 2 1/2 tax rate ceiling of 2.50%. However, subsequent to the three years of total taxable value increases described above, the City now has a little bit of space between its FY97 net effective tax rate of 2.42% and the tax rate ceiling. (Figure 3.)

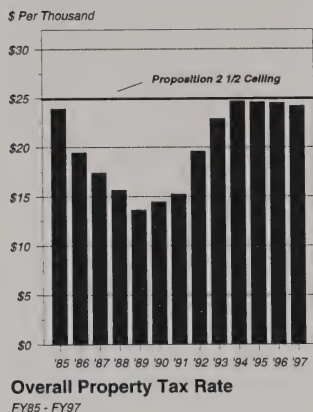


Figure 3

Excises

The Commonwealth imposes an excise on the registration of motor vehicles, the proceeds of which are received by the municipality of residence of the registered owner of each vehicle. The excise is a uniform rate of \$25 per \$1,000 of vehicle valuation. Valuations are determined by a statutory depreciation schedule based on manufacturers list price and year of manufacture. As employment growth and consumer confidence have revisited New England over the past few years, more people returned to the market for new cars. This increased motor vehicle excise revenue from \$21.7 million in FY94 to

\$24.5 million in FY95 to \$27.6 million in FY96. The City expects motor vehicle excise revenue to easily exceed the midyear budget estimate of \$25.0 million in FY97 and to climb to \$28.6 million in FY98.

The local room occupancy excise amounts to 4% of the total amount of rent for each hotel or motel room occupancy (in addition to the existing state excise of 5.7%). The growth of this revenue source tends to mirror the economy. As the economy has grown stronger over the last few years, room occupancy excise receipts have increased steadily. Boston's occupancy and room rates are among the highest in the country and the most recent data on tourism continues to show an increasing number of visitors coming to Boston. Room occupancy excise revenue totaled \$16.7 million in FY95 and \$17.6 million in FY96. The City's room-occupancy excise tax receipts are expected to exceed the midyear budget estimate of \$16.5 million in FY97 and are projected at \$17.7 million in FY98.

The excise on the sale of jet fuel is 5% of the average sales price, but not less than 5 cents per gallon. The City actually collected the greatest amount from this new excise in its first full year, FY87. One reason that the jet fuel excise has tended not to increase is that with jet fuel selling consistently below \$1.00 per gallon, the 5 cents per gallon minimum tax has generally been the operative rate. Another underlying factor which limits jet fuel excise growth is the increased fuel efficiency of commercial aircraft which use Logan airport. Because fuel is such a major portion of their expenditures, airlines have steadily improved the fuel efficiency of their fleet. Jet-fuel excise revenue totaled \$11.5 million in FY95 and \$12.0 million in FY96. The City now expects this revenue source to come in close to its \$12.0 million midyear projection for FY97 and has also budgeted \$12.0 million for FY98. (Figure 4.)

Fines

Over the last three years, the City has issued on average approximately 1.66 million parking tickets per year and has for

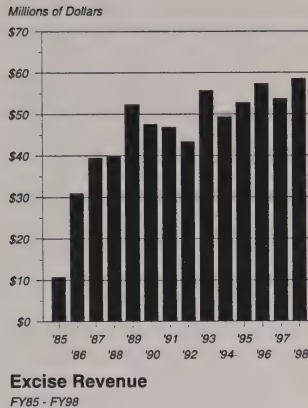


Figure 4

several years maintained a high rate of collection on these tickets. The major factors figuring in the City's successful collection rate include non-renewal of violators' registrations and licenses by the Registry of Motor Vehicles until penalties are paid, booting and towing of vehicles, increased ability to get fine payments from rental agencies, and systematic collection of fines for company cars.

From FY94 through FY96, parking fine receipts averaged \$45.9 million annually. The \$43.7 million collected in FY96 was \$6.2 million less than the peak in FY91. The decrease since FY91 has been driven by a lower ticketing level which initially occurred as the economic downturn reduced the number of commuters, business travelers, and tourists coming into Boston which, in turn, reduced the number of violations. As the Boston economy and job market has strengthened, increased traffic through the City has required more vigilant on-street parking enforcement. As a result, FY97 March ticketing levels are 4% greater than at the same point in FY96. Due to this rebound in ticket issuance, FY97 parking fine revenue is expected to exceed the midyear budget estimate of \$43.0 million. The

FY98 projection of \$45.0 million assumes a leveling off of issuance.

Interest On Investments

In general, the City's level of investment earnings is a function of the level of prevailing short-term interest rates and daily cash balances. During 1994 and 1995, the Federal Reserve raised short term interest rates seven times to 6% to ensure that the growing economy and the weakening dollar did not rekindle inflation. Due in part to the higher interest rates, the City received \$14.0 million in interest income in FY95 and \$22.9 million in FY96. This increase over the \$10.6 million received in FY94 had a significant impact on the FY95 and FY96 budgets.

The Federal Reserve's strategy worked well, but almost too well, as the economy lost momentum, and inflation stayed low for the year ended February 1996 at 2.7%. The Fed then lowered the federal funds rate three times to 5.25% in an effort to keep the economy from falling into recession. The lower level of short-term interest rates and lower cash balances resulting from hospital revenues and expenditures no longer being a part of the City budget is resulting in a significant decrease in FY97 interest income. Interest income is budgeted at \$10.0 million in FY97, but will exceed this conservative estimate by a reasonable margin. Making the assumption that interest rates will increase modestly, the City projects interest income to come in at \$16.0 million in FY98.

Payments In Lieu of Taxes

Payments in lieu of taxes are payments made by tax-exempt institutions located in the City such as hospitals, universities and cultural institutions as a voluntary contribution for the municipal services that the City provides to them such as police, fire and snow removal. Approximately 56% of this revenue comes from the Massachusetts Port Authority. Growth in payments in lieu of taxes comes from the following sources: new payments in lieu of tax agreements; formulas agreed upon by contract which ad-

just the payment for inflation; and re-negotiation of a current contract. The Massachusetts Port Authority re-negotiated its contract with the City for FY96, resulting in a \$3.8 million increase. Most recently, the following non-profit entities have entered into new payments-in-lieu-of-taxes agreements with the City: Suffolk University, Boston Medical Center, Children's Hospital, and Mental Health Programs. Payments in lieu of taxes totaled \$12.6 million in FY95 and \$17.4 million in FY96. The City now expects this revenue source to come in close to its \$18.4 million midyear projection for FY97 and has budgeted \$18.3 million for FY98.

Urban Redevelopment Chapter 121A

The Chapter 121A legislation allows local governments to suspend the imposition of property taxes at their normal levels in order to encourage redevelopment. In recent years the City used this mechanism to encourage development of the FleetCenter and a new Genzyme manufacturing plant in Allston.

Section 10. The Urban Redevelopment Corporation excise is a municipal excise in-lieu-of-tax for which the Commonwealth acts as the collector and distributor. In FY95 and FY96, the City collected Chapter 121A, section 10 distributions of \$26.1 million and \$23.9 million. In FY97 and FY98, Chapter 121A revenues are budgeted at \$22.4 million and \$22.5 million. A general trend of decline in this revenue source is somewhat misleading because several 121A corporations have, or are in the process of, terminating their 121A special tax status and returning to regular Chapter 59 property taxation. Thus, the downward trend in 121A revenue is compensated for by related increases in the property tax levy.

In most cases, the formula for the 121A, Section 10 excise in-lieu-of-tax is \$10 per \$1,000 of the current fair cash value plus 5% of current gross income. During FY92, the Commonwealth removed 121A excise tax receipts from the cherry sheet, the state's annual listing of specific state aid program amounts for each city and town.

The state thereby distinguished between local aid and state collection of a local revenue source.

Section 6A. In addition to the Section 10 payments collected by the Commonwealth described above, most 121A corporations have individual "Section 6A" agreements with the City that result in additional payments directly to the City. These Section 6A agreements are complex with actual amounts owed dependent on a formula that varies widely among the 121As. The City has begun a program to more thoroughly and systematically compare Chapter 121A payments and liabilities and to improve the collection rate. The City collected \$9.1 million and \$8.3 million in FY95 and FY96 Section 6A payments. The FY97 and FY98 budgets estimate \$8.2 million and \$8.0 million respectively.

Miscellaneous Department Revenue

This catch-all category contains twenty-two larger accounts and fifty-seven smaller accounts. Its largest revenue source is municipal medicaid reimbursements for school health services. This federal reimbursement (administered by the state) is relatively new. In its startup year, FY94, the City was reimbursed \$1.8 million, followed by \$4.4 million in FY95. In FY96, the reimbursement cycle caught up after an initial lag, resulting in nearly two years' worth of payments totaling \$10.9 million in FY96. The City expects to receive \$5.5 million in FY97 and \$6.5 million in FY98 from municipal medicaid reimbursements. This adjustment downward is the single biggest factor causing the decrease in miscellaneous departmental revenue from \$34.9 million in FY96 to \$26.5 million by FY98. The only other accounts in this revenue category which are projected to exceed \$2 million in FY98 are fire service fees (which are increasing based upon a new set of fee increases), projected at \$2.1 million; street repair permit fees, projected at \$2.1 million; and pension and annuity reimbursements, projected at \$2.4 million.

Licenses and Permits

The level of economic activity largely determines the level of many types of permitting and licensing done by City agencies. This category of revenue is dominated by building permit fees, from which the City received \$7.6 million and \$11.8 million in FY95 and FY96. The City expects to receive \$9.4 million and \$9.0 million in building permit fees in FY97 and FY98. The next highest license and permit revenue is from alcoholic beverage licenses from which the City received \$2.2 million in both FY95 and FY96, and is projecting the same for FY97 and FY98. The cable television franchise fee and street and curb permit fees are the only other two accounts in this category which exceed a million in annual revenue. The street and curb permit fees will remain in the \$1.0 million to \$1.2 million range between FY95 through FY98. The cable television franchise fee has tended toward modest annual growth, going from \$1.5 million in FY95 to a projected \$1.8 million in FY98. The FY98 amount will be impacted by a new contract currently being negotiated between the City and the local cable service company.

Penalties and Interest

Taxpayers are assessed both a penalty and interest for late payments of property tax bills and motor vehicle excise bills. The City collected \$9.2 million and \$8.6 million in such penalties and interest for FY95 and FY96. Actual penalty and interest payments for FY97 are likely to exceed the FY97 current budget projection of \$7.7 million. These payments are projected to come in at \$8.8 million for FY98.

Available Funds

Available Funds are linked to a separate category of expenditure appropriation, that is, appropriations which are supported by immediately available special fund transfers. Most of the City's general fund budget is "raised and appropriated from the tax levy" which means it is supported by the revenues which are estimated to come in during the course of the fiscal year. This includes the tax levy,

excises, state aid and the various other categories of revenues described above. The only two significant available funds that the City budgets each year are parking meter revenues to support the Transportation Department, and cemetery trust monies which are used to support the City's maintenance of its public cemeteries. The amounts transferred from these two sources for FY95 and FY96 were \$4.1 million and \$7.5 million. In both FY97 and FY98 the City's transfer from these two funds totals \$9.2 million, with the split in each year being \$8.5 million from the parking meter fund, and \$700,000 from the cemetery trust fund. These monies were in FY97 and will be in FY98 "available" at the beginning of the fiscal year. Both of these special funds have fees collected during the course of the year. By transferring lesser amounts in FY95 and FY96, the City was able to build up these special fund / trust fund balances.

State Aid

Detailed discussion of state aid is provided in the "Revenue Estimates and Analysis" section of this volume. Below is a brief summary.

Over the last six years, the Commonwealth has been successful in balancing its own budget. This now gives the Commonwealth the capacity to support and diversify the local revenue base, thereby reducing over-reliance by municipalities on the property tax. The primary forms of local aid distributions from the state to municipal general revenues are Chapter 70 (education aid), additional assistance and lottery. The amount of these funds to be distributed each year to an individual community is described on the cherry sheet along with other relatively smaller Commonwealth programs such as library aid, school construction and transportation reimbursements, and highway funds.

Since FY82, there have been three distinct phases in state local aid funding policy. From FY82 through FY89, local aid policy was essentially a revenue sharing response to Proposition 2 1/2, the statewide cap on local property tax rates and levies. A reasonable annual increase in

local aid became an essential component in the financial planning for municipalities. This phase was followed by draconian state aid reductions implemented during the FY90, FY91 and FY92 budgets. During this period, the Governor and the Legislature significantly reduced state revenue sharing with cities, towns, and regional schools. Between FY89 and FY92, state-wide cherry sheet aid declined \$602 million or 20% while all other state spending increased by \$1.5 billion or 15%.

In the most recent phase, which began with passage of the FY93 state budget, the Commonwealth embarked upon a multi-year commitment to increase and equalize funding for local education. In general, education aid during the FY93-FY97 period has been less favorable for Boston than the revenue sharing / needs based distribution arrangement during the FY82-FY89 period. To illustrate: the City's total state aid between FY93 and FY97 increased by \$59 million or 18%, while its total state aid between FY83 and FY87 increased by \$123 million or 52%.

Furthermore, the current educational aid is delivered in tandem with state-mandated costs, particularly charter schools. Charter schools are publicly-funded schools administered independently from local school committee and teacher union rules and regulations. Five charter schools have been organized in Boston. Charter school tuition is drawn directly from the City's Chapter 70 aid. This draw on the City's education aid totaled \$6 million in FY96, and is budgeted to be \$9.1 million in FY97 and \$14.8 million in FY98. As enrollment in charter schools expands, so will the costs. In addition, the Governor's proposed FY98 budget recommends increasing the number of charter schools which can be opened statewide from twenty-five to seventy-five.

The recent significant increases in the City's Chapter 70 aid, \$23.4 million in FY97 and \$29.1 million proposed for FY98, is similar in size with Boston's average increases under the needs based formula during the 1980's, and almost keeps pace with the City's educational service needs, unlike the Chapter 70 funding levels dur-

ing the first few years of education reform. A vital component in the City's delivery of quality public education in the near-term is continued solid support from the state.

Even though Boston's education reform aid has been climbing since FY93, the City's FY97 aid distribution from the Commonwealth is still less than the City's FY89 peak state aid amount, and has not kept pace with Boston Public Schools' funding. (This comparison does not take into account the significant increase in state funding supporting Suffolk County corrections' costs).

Lottery aid for the City, as for most municipalities, has grown steadily the last few years as a result of a state decision to lift the lottery cap imposed during the state's budget crisis in the early 1990's. The City's lottery aid was \$33.0 million in FY95, \$37.5 million in FY96, \$41.1 million in FY97, and \$45.7 million in FY98. The lottery formula distributes lottery aid based upon each municipality's relative per capita property wealth. The City receives a smaller percentage in lottery aid than its share of the state population, and dramatically less than the share of lottery proceeds derived from sales in Boston. Nevertheless, lottery has been an important source of revenue growth the last several years, aiding the City's efforts to sustain adequate municipal services.

Teachers' Pension Reimbursement

Boston's cherry sheet includes an item unique to the City, the teachers' pension reimbursement for pension charges to the City. The pensions paid to retired teachers from all other cities and towns in Massachusetts come directly from the Commonwealth via the State-Teachers Retirement System. In a singular arrangement mandated by general law, pensions paid to retired Boston teachers are paid by the State-Boston Retirement System, which charges the City of Boston for this cost as part of its annual pension funding. The City, in turn, is reimbursed on the cherry sheet by the Commonwealth.

In short, the Boston teachers' pension payroll is administered locally, but, as with all other teacher pensions in Massachusetts, is the financial responsibility of the Commonwealth. Due to the early retirement incentive program for 250 teachers in 1993, the teachers' pension reimbursement jumped to \$33.7 million in FY95, \$34.8 million in FY96, and has come in at \$34.9 million in FY97 (slightly under the amount budgeted). The teachers' pension reimbursement is estimated at \$35.0 million in FY98.

Non-recurring Revenue

Included in the FY98 budget is \$4.3 million in non-recurring revenue to be transferred from the surplus property disposition fund. The original source of these funds is the proceeds from the sale of central artery land to the state for the central artery project. In maintaining its policy of not supporting recurring operating costs with non-recurring revenue, the City is limiting this transfer to an amount not greater than the \$3.3 million in non-recurring costs identified by the City for the Police Department's move into its new headquarters building during FY98, and to the funding of \$1 million for a new reserve appropriation, a Risk Retention Reserve.

EXPENDITURES

Expenditures are broken down into two primary groups: appropriations directly related to departmental services and fixed and mandated costs. FY98 appropriations are further subdivided into five categories:

- *City Departments, which includes all operating department appropriations as well as a set-aside for tax title and annual audit expenses;*
- *Boston Public Health Commission, the City appropriation for the new quasi-independent authority and successor to the Department of Health and Hospitals;*
- *County Departments, including the departmental appropriations for the two county functions that are supported by the City of Boston, the Registry of Deeds and the Suffolk County Sheriff. It also includes a prorated*

share of the appropriations for Pensions and Annuities, Medicare Payments, Workers' Compensation, and employee benefits administrative expenses.

- *School Department, the City appropriation for the Boston Public Schools.*
- *Collective Bargaining Reserve, an appropriation for the projected impact of collective bargaining settlements.*

City Departments

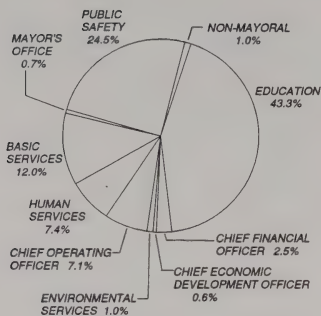
The appropriation for City Departments in FY98 has increased 1.7% over the FY97 appropriation. The Mayor's commitment to public safety issues and economic development, as well as the impact of settled collective bargaining agreements have contributed to the increase. Approximately 70% of the Summary Budget's "City Department" expenditures come from four areas: Police, Fire, Public Works and Health Benefits. The Police Department's appropriation will increase by \$9.6 million, or 5.7%; the Fire Department will increase by \$4.4 million, or 4.5%. However, \$3.1 million of the increase in Police or Fire appropriations is due to a budget transfer from a previously centralized appropriation. Public Works will see an increase of \$4.2 million, or 7.9%. Health Benefits will remain fairly stable when compared to the FY97 appropriation.

Appropriations can also be divided by cabinet, to better reflect the overall policy priorities and trends by service area. (Figure 5.)

Some of the highlights of FY97 - FY98 changes by cabinet are as follows:

Mayor's Office - The cabinet will see a net decrease of 3.7% after some structural changes in departments. The new Office of Public Information is a combination of the Press Office and the 24 Hour/Constituents' Services program formerly contained in the Office of Neighborhood Services (ONS). (During FY97 ONS was added to the Mayor's Cabinet.)

Chief Operating Officer - The elimination of vacant positions, reorganization within departments and better use of technology will result in a decrease of ap-



FY98 Expenditures By Cabinet

Numbers may not add to 100% due to rounding

Figure 5

proximately \$807,000. Holding the line on acceptable health insurance increases has played a major role in this cabinet's control over the FY98 appropriation.

Chief Financial Officer - Shifts in expenditures from the finance cabinet to other areas, as well as substantial decreases in all but one of the departments, will result in a \$6.8 million decrease in the FY98 appropriation. Changes in the state pension laws now require local retirement boards to be funded through pension investment income. The City will no longer be required to appropriate funds for the operation of the Retirement Board - a reduction of \$1.4 million. The departmental legal liabilities and public safety indemnification liabilities formerly included in the Execution of Courts appropriation have now been included in the budgets of the respective departments, resulting in a finance transfer of \$4.4 million.

Public Safety - The FY98 budget contains funding for two classes of firefighters and one class of police officers, as well as the annualized net cost (\$4 million) of classes added in the second half of FY97. (Forty of the fifty police officers added in March 1997 will be partially funded

through a federal grant.) The opening of the new police headquarters is scheduled for October, 1997. The FY98 Police budget contains \$3.3 million to cover the costs of moving into the new building, including new equipment at an estimated cost of \$2.1 million.

Economic Development - The cabinet will remain fairly level overall. It will be increasing activity in the area of neighborhood development, including the Main Streets program.

Basic Services - The request for this cabinet contains a net increase of \$3.6 million, driven mainly by increases expected in the Public Works trash collection and disposal contracts. Multi-year bids are in process; costs are driven by the state's landfill closure policy.

Environmental Services - The 2% increase in this cabinet is largely the result of collective bargaining. The Inspectional Services appropriation continues to support the efforts of the department to enhance its building inspection programs, expand its price equity program and proceed with full implementation of the "Clean It or Lien It" program. The department is also planning two new pilot programs. One would address the area of blighted, abandoned houses, the second would seek to improve living conditions for children and families living within the City.

Human Services - The \$4 million increase in the cabinet request for the most part reflects the \$3.9 million increase in the appropriation to the Public Health Commission. The Office of Community Partnerships will see a substantial increase in its appropriation for FY98 to fund an early education and child care initiative that will seek to address the education and service needs of Boston's children from birth to kindergarten over the next five years. The City's commitment will leverage state funding from the Executive Office of Health & Human Services. Community Centers will continue the kindergarten program initiated this year as well as its before school programs for those attending elementary schools with late starting hours. Community Cen-

ters will also be providing new programs at the Mason and Draper Pools which will be re-opened after extensive renovations, and expanding the Girls' Center program.

Public Health Commission

The Commission is responsible for providing the public health operations formerly provided by the Department of Health and Hospitals (DHH) and Trustees of Health and Hospitals (THH). It is a principal component of the Boston Public Health Network consisting of the Public Health Commission, eight Community Health Centers, and the new Boston Medical Center. Through Boston Emergency Medical Services, the Commission also provides pre-hospital emergency care.

The FY98 appropriation for the Public Health Commission maintains the City's commitment to Boston's public health system. The appropriation reflects an increase of \$3.88 million over the FY97 appropriation. Within the total \$64.77 million FY98 budget is a subsidy of \$4 million for Emergency Medical Services (EMS) and a provision of \$20.4 million for public health programs. The budget also covers approximately \$30.3 million in fixed costs such as pensions, debt service, benefits, and Boston Medical Center funding provided for in the hospital merger agreement.

County Departments

Prior to FY93, state support of county corrections for Suffolk County was by means of state aid into the City's general fund. In FY93, the Commonwealth shifted its support of county corrections from the City's general fund to directly funding the Sheriff's Department. In FY96, the City was responsible for funding 12.5% of the Sheriff's Department's budget with the Commonwealth funding the rest. Because this is about double the percentage of the FY96 statewide local contribution over statewide county corrections spending, the City received a reduction for FY97 to 8.75% of the Sheriff's budget. The City is again requesting a reduction in the percentage it is required to contribute. Because of this request, the

City has initially level funded the Sheriff's Department in the FY98 Recommended Budget. However, the actual cost to Boston for county corrections in FY98 is still unknown. The City strongly favors a continuation of the trend toward a fairer level of local contribution toward funding the Sheriff's Department.

The City is also responsible for funding the Registry of Deeds for Suffolk County. A portion of the funding is derived from a designation of Deeds Excise revenue. The City's annual "maintenance of effort" must increase 2.5% annually under current law.

School Department

The FY98 School Department budget contains a 4.2% increase. The School budget will increase between FY97 and FY98 by \$19.7 million. All of the settled collective bargaining contracts are funded. In addition, the FY98 budget request funds the cost of inflationary increases for such expenditures as insurance, heat, light and power, telephone, water and sewer, and health and life insurance; also, funded in this budget are educational initiatives such as pilot schools, full-day kindergarten, high school accreditation issues, the school to work program, and the development of curricula and assessments. (See the Education chapter for more details.)

Pensions

The City's pension expense has remained relatively stable over the last several years. Meanwhile, the percentage by which the overall liability has been funded has improved from 45% in FY91 to 62% in FY96. Over the longer term, the annual City pension funding requirement shows a slight downward trend. From FY89 - FY93 the City's pension cost averaged \$113.3 million. From FY94 - FY98 the pension cost is estimated to average \$112.8 million. (These numbers include pension costs allocated to the Sheriff's budget since FY95 and the Department of Health & Hospitals or Public Health Commission since FY96.) The reasons for this are several. First, pension reform laws of the 1980's increased the percent set aside

for pension funding out of new employees' checks from 6% to 8% to greater than 8%. Consequently, as employees who pay 6% or less as the employee portion of pension funding are replaced by new employees paying 8% or more, the percentage which the City pays for covering each year's additional pension liability decreases. Second, the average annual rate of return on assets (11.6% for the period covering 1985 through 1995) has significantly exceeded the 8% rate of return assumed in the pension funding schedule. Third, several difficult budget years in the early 1990's either reduced the City payroll or allowed it to grow slower than had been assumed in the pension funding schedule.

These last two items, often called actuarial gains, are incorporated into the City's pension funding schedule each time the pension system does a full valuation. State law calls for full valuations at least every three years. The most recent valuation was approved during FY95 and the pension system is therefore required to do another full valuation in time to adjust the pension funding schedule for FY98 forward.

Debt Service

The level of expenditure for debt service from FY91 through the FY97 budget (including debt paid out of the Public Health Commission budget) remained stable, staying within an \$85 million to \$90 million range. The FY98 budget, with FY98 debt paid out of the Public Health Commission budget of \$2.3 million, and remaining City and County debt service of \$90.6 million, exceeds the FY91 - FY97 range by approximately \$3 million. However, because of parallel growth in the budget, FY98 debt will remain under the 7% range as a percentage of total expenditures, as has been the case since FY88. (For further detail see the Capital Planning and Financial Management chapters.)

The increase reflected in the debt service budget for FY98 reflects the higher borrowing amount in November, 1996 (\$90 million), and the higher borrowing

amount planned for the fall, 1997 (\$90 million), as compared to \$70 million and \$75 million in the fall of 1994 and 1995. The higher borrowing level is a consequence of increased capital renovations and planned new construction for the Boston school system, which is partially reimbursed by the state, as well as the construction of a new police headquarters.

State Assessments

Accompanying the local aid distributions on the cherry sheet are several charges to the City from the Commonwealth. All but the state assessment for the Massachusetts Bay Transit Authority (MBTA) are relatively small. In accordance with Proposition 2 1/2, these charges, on a statewide basis, cannot increase annually by more than 2.5%. Consequently, the City's state assessment has grown slowly from \$51.3 million in FY91 to an estimated \$64.5 million in FY98. The MBTA costs have traditionally grown at a much faster pace than the allowable 2.5% increase in state assessments and consequently so has the Commonwealth's annual subsidy to the MBTA.

Reserve

The City is required by law to maintain a reserve on its balance sheet of 2.5% of the prior year appropriations (not including the School Department which has its own separate reserve). The current balance of this reserve is \$18.7 million. Due to the significant reduction in FY97 non-school departmental appropriations which was a result of the removal of hospital operations from the budget, this reserve is already fully funded through the end of FY98. The reserve is allowed to be used to provide for extraordinary and unforeseen expenditures and the Mayor may make drafts or transfers against this fund with City Council approval only in the month of June. Since the establishment of this reserve, the City has yet to make any drafts or transfers from the reserve.

Appropriations by Cabinet		FY96 Expend	FY97 Approp	FY98 Budget	Variance
Mayor's Office	Consumer Affairs & Licensing	316,081	333,900	406,795	72,895
	Intergovernmental Relations	774,452	782,300	821,303	39,003
	Law Department	3,891,002	3,851,200	3,543,677	(307,523)
	Mayor's Office	1,553,235	1,572,800	1,604,088	31,288
	Neighborhood Services	1,110,413	1,200,300	698,727	(501,573)
	Office of Public Information	189,789	227,500	598,786	371,286
	Total	7,834,972	7,968,000	7,673,377	(294,623)
Chief Operating Officer	Chief Operating Officer	451,558	585,100	886,120	301,020
	Graphic Arts Department	1,048,284	1,414,500	1,223,259	(191,241)
	Health & Hospitals Department	282,702,213	0	0	0
	Human Resources	63,975,096	70,560,300	70,022,901	(537,399)
	Management & Information Svcs	6,650,980	7,070,100	6,650,656	(419,444)
	Management Fund	209,925	210,000	210,000	0
	Office of Labor Relations	543,673	757,400	809,927	52,527
	Purchasing Division	1,006,759	1,067,500	1,054,938	(12,562)
	Unemployment Compensation	1,246	50,000	50,000	0
	Total	356,589,734	81,714,900	80,907,801	(807,099)
Chief Financial Officer	Assessing Department	4,696,446	4,931,700	4,760,434	(171,266)
	Auditing Department	1,376,568	1,508,400	1,508,489	89
	Execution of Courts	9,954,328	8,500,000	4,111,647	(4,388,353)
	Medicare Payments	1,942,074	2,425,500	2,885,000	459,500
	Office of Budget Management	3,666,212	2,267,900	1,927,984	(339,916)
	Pensions & Annuities	6,587,961	7,000,000	6,300,000	(700,000)
	Retirement Board	1,361,000	1,376,100	0	(1,376,100)
	Treasury Department	3,559,347	2,826,000	2,593,685	(232,315)
	Workers' Compensation Division	509,907	518,900	470,933	(47,967)
	Workers' Compensation Fund	3,450,657	3,729,000	3,729,000	0
	Total	37,104,500	35,083,500	28,287,172	(6,796,328)
Public Safety	Fire Department	94,110,126	96,760,200	101,163,428	4,403,228
	Police Department	155,831,910	166,980,400	176,549,834	9,569,434
	Total	249,942,036	263,740,600	277,713,262	13,972,662
Education	Boston Public Schools	455,940,894	471,768,163	491,500,000	19,731,837
	Total	455,940,894	471,768,163	491,500,000	19,731,837
Economic Development	Boston Residents Job Policy	259,879	281,300	295,532	14,232
	Department of Neighborhood Dev	4,131,394	4,352,000	4,496,460	144,460
	Minority/Women Business	350,793	353,500	376,004	22,504
	Rental Housing Resource Center	1,065,884	875,900	809,087	(66,813)
	Special Events & Tourism	971,130	1,040,900	1,011,693	(29,207)
	Total	6,779,080	6,903,600	6,988,776	85,176
Basic Services	Cemetery Division	1,276,724	1,268,000	1,398,961	130,961
	Central Fleet Maintenance	1,161,486	2,652,000	2,588,111	(63,889)
	Election Department	3,074,324	3,063,700	2,850,900	(212,800)
	Library Department	23,413,963	21,523,500	21,545,183	21,683
	Parks & Recreation Department	9,072,604	9,440,500	9,238,536	(201,964)
	Property Management Dept	12,067,608	12,604,419	12,664,671	60,252
	Public Works Department	52,269,231	52,440,000	56,597,302	4,157,302
	Registry Division	708,512	744,600	741,012	(3,588)
	Snow Removal	9,404,479	3,250,000	3,250,000	0
	Transportation Department	22,367,016	21,583,000	21,253,007	(329,993)
	Youth Fund	4,987,635	4,252,000	4,254,220	2,220
	Total	139,803,582	132,821,719	136,381,903	3,560,184
Environmental Services	Environment Department	671,183	724,600	757,328	32,728
	Inspectional Services Dept	8,488,122	10,033,181	10,227,279	194,098
	Total	9,159,305	10,757,781	10,984,607	226,826
Human Services	Community Partnership	598,525	847,200	1,376,748	529,548
	Elderly Commission	1,896,690	2,252,000	2,166,338	(85,662)
	Emergency Shelter Commission	354,851	388,500	399,958	11,458
	Office of Civil Rights	389,484	603,000	354,451	(248,549)
	Office of Cultural Affairs	315,390	357,300	374,224	16,924
	PFD/Boston Community Centers	10,346,644	11,541,000	11,736,091	195,091
	Public Health Commission	0	60,890,000	64,769,821	3,879,821
	Veterans Services Department	2,387,648	2,489,200	2,373,234	(115,966)
	Women's Commission	111,045	125,300	130,106	4,806
	Total	16,400,277	79,493,500	83,680,972	4,187,472
Non-Mayoral Departments	City Clerk	625,198	674,500	717,223	42,723
	City Council	2,659,782	2,807,300	2,840,172	32,872
	Finance Commission	143,871	150,400	164,322	13,922
	Licensing Board	400,164	471,400	445,218	(26,182)
	Registry of Deeds	1,588,003	1,646,200	1,711,846	65,646
	Suffolk County Sheriff's Dept	8,000,000	5,875,000	5,875,000	0
	Total	13,417,018	11,624,800	11,753,781	128,981

Note:

The City prepares its financial statements in accordance with generally accepted accounting principles (GAAP) and publishes them annually in its Comprehensive Annual Financial Report (CAFR) and as an appendix in all bond prospectuses issued by the City. However, the budgetary basis accounting practices established by the Massachusetts Department of Revenue are used in constructing each year's proposed budget, in the budget approval process, and in monitoring the budget throughout the year. Therefore all numbers used in this budget document are on a budgetary basis. For this reason there are no descriptions or discussions of separate funds because one major way in which budgetary basis accounting differs from GAAP is that while certain activities and transactions (e.g. debt service) are presented in separate funds in GAAP, in budgetary basis they are components of the general fund. For a fuller understanding of the differences, a "walk-through" table demonstrating the City's revenue and expenditure totals for FY96 year-end statements in Budgetary versus GAAP accounting is presented at the end of the Financial Management chapter.

PERSONNEL CHANGES

The following table shows a three year comparison of city funded full-time equivalent (FTE) positions. The total net decrease of 1,835 positions from January 1, 1996 to January 1, 1997 is largely due to the merger of Boston City Hospital with the Boston University Medical Center Hospital resulting in the transfer of 2,061 Department of Health & Hospitals (DH&H) employees to the new Boston Medical Center and the early retirement of another 207. The remaining 422 DH&H employees, along with a number of former employees of the Trustees of Health & Hospitals, were transferred to the newly-formed Public Health Commission. The City's Early Retirement Incentive (ERI) program, which resulted in 219 retirements as of December 31, 1996 in non-public safety, non-schools positions,

has also contributed to the decrease. To date, approximately 54% of those ERI positions have been approved to be refilled. The FY98 budget reflects the filling of those approved positions through new hiring as well as departmental reorganizations. The basic service departments were the departments most affected by the ERI program.

The departmental increases that occurred between January 1, 1996 and January 1, 1997 reflect the Mayor's priorities in the public safety departments, Community Centers and Inspectional Services. Public safety departments increased by 182 FTEs between January 1, 1996 and January 1, 1997 and are projected to increase again in FY98. New police and fire classes added in the second half of FY97, as well as classes scheduled for FY98 to offset attrition will result in an estimated increase of 215.

Increasing enrollment in both regular and special education in the Boston Public Schools has caused growth in the school personnel numbers. From January 1, 1996 to January 1, 1997 the number of personnel increased by 75. In FY98 the number is expected to increase by 69 positions; - teachers and instructional support positions (including guidance counselors, library aides and SPED and Bi-lingual aides) account for the majority of the projected increase. The budget also provides for 55 additional bus monitors (not full-time equivalent positions).

The Mayor's Office cabinet will remain fairly level in FY98. Consumer Affairs and Licensing will add three positions for its new consumer affairs program which will be partially funded through a grant. The Law Department will be seeking to increase its staff and decrease its reliance on outside legal contracts.

In the Chief Operating Officer's cabinet the major increase will be in the Management & Information Services Department. The department will be reorganizing and strengthening its technical support staff to better serve the expanding technological needs of other departments.

The Finance Cabinet shows a substantial net decrease from January 1, 1997 to pro-

Personnel Summary		1/1/96	1/1/97	FY98
		FTE	FTE	Projected
Office of the Mayor	Consumer Affairs & Licensing	7.0	6.5	11.0
	Intergovernmental Relations	9.0	10.0	10.0
	Law Department	58.5	46.5	56.3
	Mayor's Office	28.0	26.0	25.0
	Neighborhood Services	30.5	31.0	21.0
	Public Information	4.0	5.0	15.8
	Total	137.0	125.0	139.1
Chief Operating Officer	Chief Operating Officer	11.0	10.0	12.0
	Graphic Arts	41.0	36.0	38.0
	Health and Hospitals	2685.0	0.0	0.0
	Human Resources	38.5	32.5	35.0
	Labor Relations	8.0	11.0	11.0
	Management Info Svcs	88.0	74.0	84.0
	Purchasing Division	23.0	20.0	22.0
	Total	2894.5	183.5	202.0
Chief Financial Officer	Assessing Department	101.0	91.0	99.0
	Auditing Department	34.0	31.5	36.0
	Budget Management	35.0	33.5	33.5
	Retirement Board	31.5	31.5	0.0
	Treasury Department	60.5	56.5	61.0
	Workers' Comp Service	11.0	10.5	11.0
	Total	273.0	254.5	240.5
Public Safety	Fire Department	1683.5	1720.0	1759.0
	Police Department	2822.5	2968.5	3144.0
	Total	4506.0	4688.5	4903.0
Education	School Department	7436.5	7511.9	7581.4
	Total	7436.5	7511.9	7581.4
Economic Development	Minority/Women Business	8.0	8.0	8.0
	Neighborhood Development	122.0	132.5	148.0
	Office of Boston RJP	8.0	8.0	8.0
	Rental Housing Resource Center	27.0	17.5	17.0
	Special Events & Tourism	9.0	10.0	10.0
	Total	174.0	176.0	191.0
Basic City Services	Central Fleet Maintenance	0.0	0.0	0.0
	Election	59.0	58.9	42.0
	Library Department	543.7	529.0	530.0
	Parks and Recreation	241.5	222.5	221.0
	Property Management	252.0	233.0	266.0
	Public Works Department	525.5	475.5	496.0
	Registry Division	23.5	21.5	23.0
	Transportation	411.5	393.0	435.0
	Youth Fund	1.0	1.0	1.0
	Total	2057.7	1934.4	2014.0
Environmental Services	Environment	13.0	14.5	14.7
	Inspectional Services	187.5	201.0	236.0
	Total	200.5	215.5	250.7
Health & Human Services	Civil Rights	10.0	7.5	7.0
	Community Centers	340.0	363.5	389.0
	Community Partnerships	3.0	8.0	9.0
	Cultural Affairs	7.0	8.0	8.0
	Elderly Commission	63.5	61.0	66.0
	Emergency Shelter	5.0	5.0	5.0
	Public Health Commission	0.0	729.0	720.8
	Veterans Services	21.5	17.5	19.0
	Women's Commission	2.0	2.0	2.0
	Total	452.0	1201.5	1225.8
Non-Mayoral	City Clerk	14.0	15.0	15.0
	City Council	61.0	60.5	68.0
	Finance Commission	4.0	4.0	4.0
	Licensing Board	10.5	8.5	10.0
	Registry of Deeds	49.0	56.0	49.0
	Sheriff's Department	0.0	0.0	0.0
	Total	138.5	144.0	146.0
Grand Total		18,270	16,435	16,894

jected FY98 due to the fact that Retirement Board employees will be externally funded in FY98.

The increase in the projected personnel level in the Economic Development cabinet is due to the Office of Neighborhood Development's increase in the capital construction program personnel. The increased activity in this program is a result of the Mayor's aggressive schools' capital plan.

The Basic Services cabinet was hit particularly hard by the ERI program. The increase from January 1, 1997 to projected FY98 includes the re-filling of some of those ERI positions. Property Management will see an increase in the number of municipal police officers in order to fulfill a commitment to the Boston Housing Authority. The Transportation Department's increase relates to a reorganization plan, a new class of 10 parking meter supervisors and the refilling of ERI positions. (The department has been holding off on filling vacancies due to the reorganization).

In the Environment Cabinet, the Inspectional Services Department has already begun to fill some of its vacant inspector positions in order to improve its building inspection programs. In FY98 the department will be expanding some of the current pilot programs as well as adding new ones.

The Health & Human Services cabinet will remain fairly level. Increases in the Elderly Commission shuttle drivers and in Veterans' Services will be offset by slight decreases in other departments.

FY98 - FY99 BUDGET PLAN

Introduction

In the FY97 Recommended Budget Overview, a two-year financial projection was presented for the first time. While statutorily the City must maintain an annual budget process subject to the appropriating authority of the City Council, the second year projection provides a useful context for these decisions. Last year, the financial scenario illustrated the pro-

jected shortfall that would result if the Mayor's proposed merger agreement for the city's hospitals and the Boston University Medical Center Hospital did not receive City Council approval. With the endorsement of this plan, the bottom line of the City improved due to the removal of hospital operations from the operating budget.

In projecting the City's operating budget for FY99, no such issue looms on the horizon. However, there are still major policy considerations that, taken together, could have a significant effect on the City's financial position.

FY99 Financial Outlook

The Recommended Budget for FY98 has been based on the most current available revenue picture. The FY99 plan reflects the best estimate of revenues as well as projecting the major components of expenditures given current policy and cost trends.

Major revenue trends for FY99:

Property Tax Levy: the 2.5% increase and new growth will result in a projected \$33.2 million in additional tax levy.

Excises: the three local excises (motor vehicle, room occupancy, and jet fuel) will increase \$3.0 million, capturing normal inflationary impacts.

Fines: with no change expected in parking fines, fine revenue will be essentially unchanged.

Interest on Investments: with interest rates expected to be slightly higher, interest income will increase \$0.5 million.

Payments in Lieu of Taxes: with no new agreements forecast, PILOT revenue should increase less than 1%.

Chapter 121A: increases in payments will be nearly offset by expiring agreements resulting in a \$0.2 million increase, less than 1%.

Miscellaneous Department Income: projected from historical trends and conservative economic assumptions, miscellaneous department income should increase about \$0.4 million over

CITY OF BOSTON
BUDGET SUMMARY
(Dollars in Millions)

	FY98 Budget	FY99 Budget
REVENUES		
Property Tax Levy	776.17	809.39
Overlay Reserve	(36.96)	(38.54)
Excises	58.46	61.42
Fines	48.34	48.35
Interest on Investments	16.00	16.50
Payments In Lieu Of Taxes	18.30	18.39
Urban Redevelopment Chapter 121A	30.51	30.75
Misc. Department Revenue	26.49	26.93
Licenses and Permits	17.28	18.49
Penalties & Interest	8.75	8.57
Available Funds	9.20	9.20
State Aid	407.76	435.11
Teachers Pension Reimbursement	35.00	35.35
 Total Recurring Revenue	 1,415.31	 1,479.91
 Non-Recurring Revenue	 4.30	 1.00
 Total Revenues	 1,419.61	 1,480.91
EXPENDITURES		
City Departments	572.83	577.33
Public Health Commission	64.77	66.94
County Departments	9.34	10.00
School Department	491.50	501.21
Reserve for Collective Bargaining	23.75	55.78
 Total Appropriations	 1,162.18	 1,211.26
 Pensions	 102.28	 110.21
Debt Service	90.62	96.00
State Assessments	64.52	66.13
Reserve	0.00	0.00
 Total Fixed Costs	 257.43	 272.34
 Total Expenditures	 1,419.61	 1,483.60
 Surplus (Deficit)	 0.00	 (2.69)

Numbers may not add due to rounding

the FY98 expected receipts, reflecting stable 1.7% growth.

Licenses and Permits: a \$1.0 million increase in building permits from a conservative FY98 projection makes up nearly all of the expected \$1.2 million increase.

Penalties & Interest: projected to fall \$0.2 million after 2 strong years of growth.

State Aid: projected to increase \$27.4 million or 6.7% reflecting historical experience, plus the maintenance of the present charter school and education reform funding policies.

Teachers Pension Payments: 1% increase is based on the reimbursement arrangement with the state and is reasonably predictable.

Non-Recurring Revenues: for FY99, an additional \$1 million would be applied to the new Risk Retention Reserve through a transfer from surplus property funds.

Total revenues: FY99 total revenues are projected to increase by \$60.3 million, or 4.2% over FY98 budget projections. This increase is lower than that estimated in FY98, due mostly to relatively weak growth in revenues other than property taxes and state aid.

Expenditure Trends

Major expenditure trends for FY99 include:

City Departments: with few exceptions, continued vigilance to control personnel increases, and reprogramming within existing funding levels will hold departmental spending growth to a minimum.

Public safety spending should also plateau, since staffing levels will peak going into FY98 and equipment payments have leveled off, based on scheduled replacements using lease-purchase financing. The new Police Headquarters should be up and running, with only minor new cost impacts. After factoring in inflationary cost increases, particularly for large contractual service items in basic city services, utilities costs, and employee benefits, the overall City Departments budget increase is just 1% projected into FY99.

Public Health Commission: with slight increases in the fixed cost schedules (BMC assistance grant, pensions, health insurance), and projecting the continuation of EMS and public health services at current levels, the City's net subsidy to the PHC is projected to increase 3% over the FY98 Recommended Budget.

County Departments: again, the City's position regarding the proposed state takeover of county functions argues for equalizing the local effort to 5%, the same as the state-wide average for other counties. Pending resolution of this issue at the state level, the FY99 projection assumes the continuation of a 2.5% increase for the Registry of Deeds, level funding for the Sheriff's Department, and minor cost reductions in employee benefits, leaving this category practically level with FY98.

School Department: many new programs with multi-year planning horizons are in the works, and many of these are anticipated for FY99 implementation. The projected increase of almost \$10 million or 2% (excluding the impact of outstanding collective bargaining agreements) would be driven by an enrollment increase at the same pace as recent years; the opening of three new Early Education Centers, with the net cost minimized by removal of less ideal classroom space; cost control measures maintained in Special Education areas; and continued funding of ongoing initiatives already included in the FY98 budget base, such as curricula improvements and pilot schools. This scenario also assumes that the growing impact of charter schools, which is taken as an offset to revenues, and that the dramatic expansion currently being considered at the state level will not detrimentally affect the City's allocation for education in the Public Schools in the near term.

Reserve for Collective Bargaining: fully reserving for the compounding impact of outstanding collective bargaining agreements, the size of the reserve appropriation will more than double as reflected for FY99. The projection of \$55.8 million for all pay raises not presently executed

reflects the third year impact of across-the-board cost of living increases.

The total appropriations for departmental services under these parameters would increase by \$52.7 million over the Recommended Budget for FY98.

Fixed Costs: given the known pension funding schedule for the current city payroll, the debt service policies followed in the City's capital plan, and mandated state assessments, fixed costs can be predicted fairly accurately. In FY99, these costs will increase by \$14.9 million, led by a 7.8% increase in the pension funding obligation and a 5.9% increase in debt service due to larger borrowings to fund school construction and the new police headquarters.

Figure 6 displays the projected allocation of expenditures projected for FY99.

Bottom line: under these scenarios, expenditures would exceed revenues by \$2.7 million in FY99.

Planning a Balanced Budget

The usefulness of preparing a two-year planning horizon comes in the lead time it provides to make adjustments to alter the cost pressures on certain services, to promote cost-saving or new programming alternatives to improve the financial position projected in the second year, and to monitor changes in assumptions as new needs or innovations present themselves.

For example, the projections of hospital expenditure deficits looming on the horizon provided the impetus for a two-year effort to implement the hospital merger that created the new Boston Medical Center. The new reality in the City's budget projection for FY99 is that its obligation to the new hospital is known in advance, due to a long-range financial plan to improve the financial viability of the new entity and its public health mission, and to secure fiscal stability for the City.

The relative size of the projected expenditure deficit is within the range of 0.2% of the City's overall budget. While this is not significant enough to warrant large-

scale shifts in operations based on the scenarios presented, there are key initia-

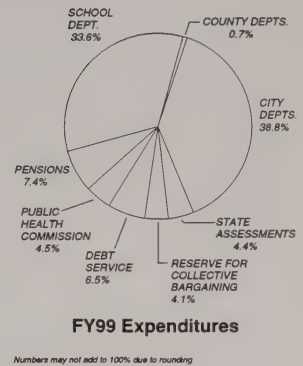


Figure 6

tives in active development to help the City deal with this variance and continue to control overall finances, and to provide more breathing room to allow for discretionary program funding.

Controlling headcount

Through the Managed Reduction Task Force and a budget-based position control process, controlling the growth in personnel will save direct salary and benefits costs. With strategic approvals of personnel increases tied to service priorities, the overall City workforce should gradually shift from functions or programs that are less effective or can be down-scaled, to increasing direct services in the areas with the greatest benefit.

Applied Technology

The promise of automation is not necessarily job replacement, but productivity enhancement. As technology applications spring up in actual business practices throughout city government, work processes move faster, redundancy in overlapping functions like data entry are streamlined, and customer service ultimately improves. Already, many processes of government have been forced

to change, such as electronic funds transfers and direct deposit, computer-aided dispatch of emergency operations, and on-line services. Others on the drawing boards or already through the pilot phase include networking of schools, libraries, and community centers, procuring a new City-wide financial system, and the emergency operations center. As we move toward the next century, many applications that have not even been thought of will aid in the reprogramming and reprioritizing of resources.

Economics

Although there are many external factors the City cannot predict or control, such as major shifts in the regional economy, natural events, or intergovernmental effects, there are policy areas undergoing major change in which the City is a key player and has a large stake in the outcomes.

As highlighted last year, the City has begun a major initiative to pursue the City's options and opportunities under pending deregulation plans in the electric, gas, and telecommunications industries. More than just following events as utility deregulation unfolds, the City is engaged in policy discussions to guide the transition from regulated monopolies to free market. Deregulation, coupled with the fact that the City is a large electricity customer (\$26 million/year), offers opportunities to minimize purchase costs by negotiating pricing agreements or contracting with multiple suppliers. More immediately, the City has positioned itself to manage its options by in-

stituting a conservation and demand control initiative, and is setting up new systems to monitor usage and pricing of the City's energy consumption.

Another significant policy area that the City is driving the agenda on, is the plans to locate a new Convention Center downtown, by the waterfront, to ensure Boston's position as a major tourist and business travel destination. Now in the near-final stages of joint state-city finance negotiations, the Convention Center would have a major positive impact on the economy of Greater Boston. The City has justified an equitable level of local financial support, balancing any projected growth in revenues with an analysis of potential service impacts on the City, particularly public safety, basic services, and capital infrastructure maintenance.

Conclusion

This two-year overview is provided as a guide to understand the impacts of the decisions presented in the Recommended Budget, and to provide a framework for future initiatives and financing proposals. Although it is not statutorily required, it is a useful tool in long-range planning and policy analysis.

From a budget planning and management standpoint, the parameters summarized here are being built upon through an interactive forecast model with key departments, to allow the development of multi-year scenarios for individual department's operations, set within the financial constraints affecting the City's overall budget.

City Council Orders



CITY OF BOSTON
IN CITY COUNCIL

**Appropriation and Tax Order for the fiscal year
Commencing July 1, 1997 and ending June 30, 1998**

ORDERED:

1. That to meet the current expenses of the City of Boston and the County of Suffolk, in the fiscal year commencing July 1, 1997 and ending June 30, 1998, the respective sums of money specified in the schedules hereinafter set out, be, and the same hereby are, appropriated for expenditure under the direction of the respective boards and officers severally specified, for the several specific purposes hereinafter designated and, except for transfers lawfully made, for such purposes only - said appropriations, to the extent they are for the maintenance and operation of parking meters, and the regulation of parking and other activities incident thereto (which is hereby determined to be \$8,500,000), being made out of the income from parking meters and, to the extent they are for other purposes, being made out of the proceeds from the sale of tax title possessions and receipts from tax title redemptions in addition to the total real and personal property taxes of prior years collected from July 1, 1996 up to and including March 31, 1997, as certified by the City Auditor under Section 23 of Chapter 59 of the General Laws and the proceeds from the sale of surplus property to be transferred in the amount of \$4,300,000 pursuant to the provisions of Section 24 of Chapter 190 of the Acts of 1982 as amended by Section 4 of Chapter 701 of the Acts of 1986, and out of available funds on hand July 1, 1997, as certified by the Director of Accounts under said Section 23, and the balance of said appropriations to be raised by taxation pursuant to said Section 23:

CITY DEPARTMENTS				Personnel Services	Contractual Services	Supplies and Materials	Current Charges and Obligations	Equipment	Special Appropriation	Structures and Improvements	Land and Non-Structural Improvement to Land	Total
Office of the Mayor												
011-114-0114	Consumer Affairs & Licensing	349,995	27,500	7,000	11,300	11,000	0	0	0	0	0	406,795
011-140-0000	Intergovernmental Relations	570,003	140,100	2,000	109,700	0	0	0	0	0	0	821,803
011-151-0151	Law Department	2,540,189	796,000	59,031	47,357	101,100	0	0	0	0	0	3,543,677
011-111-0111	Mayor's Office	1,326,795	194,500	20,000	62,793	0	0	0	0	0	0	1,604,088
011-412-0412	Neighborhood Services	621,554	51,000	19,800	6,373	0	0	0	0	0	0	698,727
011-411-0000	Office of Public Information	561,650	20,096	14,700	2,340	0	0	0	0	0	0	598,786
Chief Operating Officer												
011-140-0000	Chief Operating Officer	706,074	169,382	2,500	8,164	0	0	0	0	0	0	886,120
011-140-0000	Graphic Arts Department	917,973	172,500	16,194	6,591	0	110,000	0	0	0	0	1,223,258
011-140-0000	Human Resources	1,431,048	195,200	20,500	68,006,153	0	0	0	0	0	0	69,652,901
011-140-0000	Management & Information Sys	4,344,845	1,040,232	173,200	1,036,379	56,000	0	0	0	0	0	6,650,656
011-175-0175	Management Fund	0	0	0	0	0	210,000	0	0	0	0	210,000
011-140-0000	Office of Labor Relations	540,751	229,176	5,000	7,000	28,000	0	0	0	0	0	809,927
011-140-0000	Purchasing Division	853,016	144,746	29,100	21,076	0	7,000	0	0	0	0	1,054,938
011-199-0199	Unemployment Compensation	0	0	0	0	0	50,000	0	0	0	0	50,000
Chief Financial Officer												
011-136-0136	Assessing Department	4,050,700	247,190	56,950	379,594	26,000	0	0	0	0	0	4,760,434
011-131-0131	Auditing Department	1,429,064	47,300	12,059	14,666	5,400	0	0	0	0	0	1,508,489
011-333-0333	Execution of Courts	0	0	0	0	0	4,111,647	0	0	0	0	4,111,647
011-139-0139	Medicare Payments	0	0	0	0	0	2,865,000	0	0	0	0	2,865,000
011-140-0000	Office of Budget Management	1,239,525	648,780	14,000	25,679	0	0	0	0	0	0	1,927,984
011-374-0374	Pensions & Annuities - City	0	0	0	0	0	5,800,000	0	0	0	0	5,800,000
011-137-0000	Treasury Department	2,022,026	138,900	385,154	38,705	7,900	1,000	0	0	0	0	2,593,685
011-140-0000	Workers' Compensation Division	331,029	17,056	7,725	5,123	0	0	0	0	0	0	360,933
011-341-0342	Workers' Compensation Fund	0	0	0	0	0	2,979,000	0	0	0	0	2,979,000
Public Safety												
011-221-0221	Fire Department	92,613,935	2,962,668	2,353,000	2,703,824	530,000	0	0	0	0	0	101,163,427
011-211-0211	Police Department	147,122,038	9,476,199	5,649,257	11,181,327	3,121,012	0	0	0	0	0	176,549,833
Economic Development												
011-140-0000	Boston Residents Job Policy	293,832	500	1,000	200	0	0	0	0	0	0	295,532
011-188-0000	Department of Neighborhood Dev	2,334,592	1,468,909	139,886	543,323	9,750	0	0	0	0	0	4,496,460
011-140-0000	Minority/Women Business	359,192	8,100	3,800	4,912	0	0	0	0	0	0	376,004
011-384-0384	Rental Housing Resource Center	705,059	71,528	30,000	2,500	0	0	0	0	0	0	809,087
011-415-0415	Special Events & Tourism	426,038	246,685	9,500	5,978	3,000	320,492	0	0	0	0	1,011,693
Basic Services												
015-400-3321	Cemetery Division	421,627	80,900	82,500	53,934	40,000	0	0	0	0	20,000	698,961
011-181-0181	Central Fleet Maintenance	1,646,706	337,405	604,000	0	0	0	0	0	0	0	2,588,111
011-121-0000	Election Department	2,363,652	219,800	198,394	69,054	0	0	0	0	0	0	2,850,900
011-110-0110	Library Department	15,405,783	3,189,000	2,506,500	443,900	0	0	0	0	0	0	21,545,183
011-300-0301	Parks & Recreation Department	6,463,967	1,569,869	267,000	461,699	20,000	391,000	0	65,000	0	0	9,238,535
011-180-0180	Property Management Dept	7,708,906	4,097,740	520,350	332,175	5,500	0	0	0	0	0	12,664,671
011-311-0311	Public Works Department	13,755,180	40,830,983	616,000	1,195,138	0	0	0	200,000	0	0	56,597,301
011-163-0163	Registry Division	700,932	28,860	8,670	1,050	1,500	0	0	0	0	0	741,012

CITY DEPARTMENTS										Land and			
	Personnel Services	Contractual Services	Supplies and Materials	Current Charges and Obligations	Equipment	Special Appropriation	Structures and Improvements	Non-Structural Improvement to Land	Total				
011-331-0331	Snow Removal	0	0	0	0	3,250,000	0	0	3,250,000				
011-251-0000	Transportation Department	12,848,792	6,285,958	1,205,057	161,500	0	0	0	21,253,007				
011-448-0448	Youth Fund	51,570	0	0	0	4,202,650	0	0	4,254,220				
Environmental Services													
011-303-0303	Environment Department	725,388	19,500	740	0	0	0	0	757,328				
011-261-0260	Inspectional Services Dept	8,566,145	738,212	749,422	54,000	0	0	0	10,227,279				
Human Services													
011-115-0115	Community Partnership	504,124	852,624	3,000	6,000	0	0	0	1,376,748				
011-387-0387	Elderly Commission	1,711,538	145,440	219,260	35,000	0	0	0	2,166,338				
011-406-0406	Emergency Shelter Commission	212,514	179,044	1,000	0	0	0	0	399,958				
011-403-0403	Office of Civil Rights	327,271	20,000	180	0	0	0	0	354,451				
011-503-0503	Office of Cultural Affairs	343,324	18,500	7,400	0	0	0	0	374,224				
011-188-0000	Boston Community Centers	8,872,067	2,009,320	270,103	2,000	402,800	0	0	11,736,090				
011-620-0620	Public Health Commission	28,391,028	14,418,913	1,836,510	349,212	17,656,266	0	0	64,769,821				
011-740-0741	Veterans Services Department	689,934	127,600	1,567,700	0	0	0	0	2,373,234				
011-417-0417	Women's Commission	119,231	9,175	500	0	0	0	0	130,106				
Non-Mayoral Departments													
011-161-0161	City Clerk	663,037	34,840	6,745	2,100	0	0	0	717,222				
011-112-0112	City Council	2,584,372	190,000	22,000	0	0	0	0	2,840,172				
011-193-0193	Finance Commission	159,444	3,100	1,150	0	0	0	0	164,322				
011-252-0252	Licensing Board	414,518	18,000	4,900	500	0	0	0	445,218				
Other													
011-999-9999	Reserve for Collective Bargaining	23,750,450	0	0	0	0	0	0	23,750,450				
011-140-0000	Risk Retention Reserve	0	0	0	0	1,000,000	0	0	1,000,000				
TOTAL CITY DEPARTMENTS					407,072,426	93,939,030	17,172,290	92,683,674	4,576,474	43,356,855	200,000	85,000	659,085,749
COUNTY DEPARTMENTS													
										Land and			
	Personnel Services	Contractual Services	Supplies and Materials	Current Charges and Obligations	Equipment	Special Appropriation	Structures and Improvements	Non-Structural Improvement to Land	Total				
Chief Operating Officer													
011-140-0000	Human Resources	150,000	0	220,000	0	0	0	0	370,000				
Chief Financial Officer													
014-139-0139	Medicare Payments - County	0	0	0	0	20,000	0	0	20,000				
014-749-1375	Pensions & Annuities - County	0	0	0	0	500,000	0	0	500,000				
011-140-0000	Workers' Compensation Service	110,000	0	0	0	0	0	0	110,000				
011-341-0342	Workers' Compensation Fund	0	0	0	0	750,000	0	0	750,000				
Registry of Deeds													
014-745-0165		1,585,266	98,000	3,100	845	0	0	0	1,711,846				
014-747-0000	Suffolk County Sheriff's Dept	0	0	0	0	5,875,000	0	0	5,875,000				
TOTAL COUNTY DEPARTMENTS					1,845,266	98,000	24,635	223,100	845	7,145,000	0	0	9,336,846

FURTHER ORDERED:

II. That to meet so much of the expenses of maintaining, improving and embellishing in the fiscal period commencing July 1, 1997 and ending June 30, 1998, cemeteries owned by the City of Boston, or in its charge, as is not met by the income of deposits for perpetual care on hand December 31, 1996, the respective sum of money specified in the subjoined schedule be, and the same hereby is, appropriated out of the fund set up under Chapter 13 of the Acts of 1961 - the same to be expended under the direction of the Commissioner of Parks and Recreation:

015-400-3321

Cemetery Division
Parks and Recreation Department
Personal Services \$700,000



CITY OF BOSTON • MASSACHUSETTS

OFFICE OF THE MAYOR
THOMAS M. MENINO

April 8, 1997

TO THE CITY COUNCIL

Dear Councilors:

I transmit herewith an appropriation order in the amount of \$491.5 million for the Boston Public Schools for FY98, submitted pursuant to the provisions of Chapter 224 of the Acts of 1936, as amended by Chapter 190 of the Acts of 1982, as further amended by Chapter 701 of the Acts of 1986, Chapter 613 of the Acts of 1987 and Chapter 108 of the Acts of 1991.

The School Department projects an additional \$68.7 million in external funds for FY98, for a total operating budget of \$560.2 million. In addition, the City's FY98-FY02 Capital Plan outlines \$225 million worth of school projects, and a separate reserve for collective bargaining includes anticipated settlements for all outstanding agreements, including those related to the School Department.

No other Mayor in recent memory has invested more political capital in improving education. I truly believe in public education and that the Boston Public Schools are improving and will continue to do so. I am committed to working with the Boston School Committee and Superintendent Payzant to improve education. During this past year, the Boston Public Schools made much progress, introducing frameworks for reading/language arts, mathematics, science and social studies, administering a new assessment instrument, upgrading five Boston high schools to full accreditation, wiring 18 schools to the Internet during October's Net Day, and 13 more on Net Day last week, totally upgrading the technology system at the Jeremiah E. Burke High School and opening two pilot schools, the Greater Egleston Pilot School and the Multicultural Middle Pilot School.

The request forwarded to you today is \$19.7 million over the current FY97 budget appropriation, a 4.2% increase. The Boston Public Schools is receiving more than two-thirds of all discretionary funding, after covering fixed costs and reserving for collective bargaining, available for all departmental appropriations. Overall, the FY98 budget supports the second year of the School Committee's educational reform plan, A Focus on Children.

Improving education in Boston requires a long-term commitment to improve teaching and learning for all students. I look forward to working with you to bring about improvement in education for all of Boston's children. I respectfully request your support of the FY98 appropriation for the Boston Public Schools.

Sincerely,

Thomas M. Menino
Mayor of Boston

CITY OF BOSTON

IN CITY COUNCIL

ORDERED:

That pursuant to Chapter 224 of the Acts of 1936, as amended by Chapter 190 of the Acts of 1982, and as further amended by Chapter 701 of the Acts of 1986, Chapter 613 of the Acts of 1987, and Chapter 108 of the Acts of 1991, to meet the current operating expenses of the School Department in the fiscal period commencing July 1, 1997 and ending June 30, 1998, the sum of FOUR HUNDRED NINETY ONE MILLION FIVE HUNDRED THOUSAND DOLLARS (\$491,500,000) be, and the same hereby is, appropriated, said sum to be raised by taxation pursuant to Section 23 of Chapter 59 of the General Laws:

School Department	\$491,500,000
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CITY OF BOSTON • MASSACHUSETTS

OFFICE OF THE MAYOR
THOMAS M. MENINO

April 8, 1997

TO THE CITY COUNCIL

Dear City Councilors:

I transmit herewith for your approval an appropriation order in the amount of \$5,465,000 to be expended in aid of the Boston Housing Authority for the purpose of defraying costs in relation to the development, including infrastructure work, acquisition and operating costs of a clearance, urban renewal, community renewal, relocation, rehabilitation or low-rent housing project, all within the City of Boston.

I urge your Honorable Body to pass this order.

Sincerely,

Thomas M. Menino
Mayor of Boston

CITY OF BOSTON

IN CITY COUNCIL

ORDERED: That the sum of Five Million Four Hundred Sixty Five Thousand Dollars (\$5,465,000) be, and hereby is, appropriated to be expended in aid of the Boston Housing Authority for the purpose of defraying costs in relation to the development, including infrastructure work, acquisition and operating costs of a clearance, urban renewal, community renewal, relocation, rehabilitation or low-rent housing project, all within the City of Boston, and that to meet said appropriation the Collector/Treasurer be, and hereby is, authorized under the provisions of Section 20 of Chapter 121B of the General Laws, to issue from time to time, on request of the Mayor, bonds, notes or certificates of indebtedness of the City up to said amount.



CITY OF BOSTON • MASSACHUSETTS

OFFICE OF THE MAYOR
THOMAS M. MENINO

April 8, 1997

TO THE CITY COUNCIL

Dear City Councilors:

I transmit herewith for your approval an appropriation order to amend an appropriation order originally passed by your Honorable Body on May 8, 1996 and May 22, 1996, and approved by the Mayor on June 4, 1996,

The proposed appropriation order would raise the amount from \$13,097,000 to \$20,652,000 for the purpose of planning, designing, acquiring land for, constructing and originally equipping structures and facilities including original structures and facilities and for remodeling, reconstructing, or making major alterations, additions and major repairs to existing facilities including original equipment and landscaping, including the planting of shade trees, paving and other site improvements incidental or directly related to such remodeling, reconstruction or repair for the use of various city departments including the Community Centers, Fire and Police Departments.

I urge your Honorable Body to pass this order.

Sincerely,

Thomas M. Menino
Mayor of Boston

CITY OF BOSTON

IN CITY COUNCIL

ORDERED: That an appropriation order originally passed by your Honorable Body on May 8, 1996 and May 22, 1996, and approved by the Mayor on June 4, 1996 in the amount of Thirteen Million Ninety Seven Thousand Dollars (\$13,097,000), is amended by inserting in place thereof the sum of Twenty Million Six Hundred Fifty Two Thousand Dollars (\$20,652,000), and hereby is further amended by modifying the purpose description to the following:

"appropriated for the planning, designing, acquiring land for, constructing and originally equipping structures and facilities including original structures and facilities and for remodeling, reconstructing, or making major alterations, additions and major repairs to existing facilities including original equipment and landscaping, including the planting of shade trees, paving and other site improvements incidental or directly related to such remodeling, reconstruction or repair"

for various departments including the Community Centers Department, the Fire Department, and the Police Department; and is again amended to read as follows:

"and that to meet said appropriation the Collector/Treasurer be, and hereby is, authorized under the provisions of Chapter 642 of the Acts of 1966, as amended, or under the provisions of Clauses (3) and (3A) of Section 7 of Chapter 44 of the General Laws,"

to issue from time to time, on request of the Mayor, bonds, notes or certificates of indebtedness of the City up to said amount.



CITY OF BOSTON • MASSACHUSETTS

OFFICE OF THE MAYOR
THOMAS M. MENINO

April 8, 1997

TO THE CITY COUNCIL

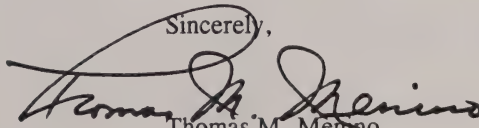
Dear City Councilors:

I transmit herewith for your approval an appropriation order to amend an appropriation order originally passed by your Honorable Body on May 10, 1995 and May 24, 1995, and approved by the Mayor on June 2, 1995,

The proposed appropriation order would raise the amount from \$13,945,000 to \$14,620,000 for the purpose of planning, designing, acquiring land for, constructing and originally equipping structures and facilities including original structures and facilities and for remodeling, reconstructing, or making major alterations, additions and major repairs to existing facilities including original equipment and landscaping, including the planting of shade trees, paving and other site improvements incidental or directly related to such remodeling, reconstruction or repair for the use of various city departments including the Fire, Police, Property Management, and Parks and Recreation Departments.

I urge your Honorable Body to pass this order.

Sincerely,


Thomas M. Menino
Mayor of Boston

CITY OF BOSTON

IN CITY COUNCIL

ORDERED: That an appropriation order originally passed by your Honorable Body on May 10, 1995 and May 24, 1995, and approved by the Mayor on June 2, 1995 in the amount of Thirteen Million Nine Hundred Forty Five Thousand Dollars (\$13,945,000), is amended by inserting in place thereof the sum of Fourteen Million Six Hundred Twenty Thousand Dollars (\$14,620,000), and hereby is further amended by modifying the purpose description to the following:

"appropriated for the planning, designing, acquiring land for, constructing and originally equipping structures and facilities including original structures and facilities and for remodeling, reconstructing, or making major alterations, additions and major repairs to existing facilities including original equipment and landscaping, including the planting of shade trees, paving and other site improvements incidental or directly related to such remodeling, reconstruction or repair"

for various departments including the Fire Department, the Police Department, the Property Management Department and the Parks and Recreation Department; and is again amended to read as follows:

"and that to meet said appropriation the Collector/Treasurer be, and hereby is, authorized under the provisions of Chapter 642 of the Acts of 1966, as amended, or under the provisions of Clauses (3) and (3A) of Section 7 of Chapter 44 of the General Laws,"

to issue from time to time, on request of the Mayor, bonds, notes or certificates of indebtedness of the City up to said amount.



CITY OF BOSTON • MASSACHUSETTS

OFFICE OF THE MAYOR
THOMAS M. MENINO

April 8, 1997

TO THE CITY COUNCIL

Dear City Councilors:

I transmit herewith for your approval an appropriation order in the amount of \$2,415,000 for the purpose of planning, designing, acquisition and development of land, constructing and originally equipping structures and facilities and for remodeling, reconstructing or making major alterations, additions and major repairs to existing facilities including original equipment and landscaping, paving and other site improvements incidental or directly related to such remodeling, reconstruction or repair for the use of various city departments including the Parks and Recreation Department.

I urge your Honorable Body to pass this order.

Sincerely,

Thomas M. Menino

Mayor of Boston

CITY OF BOSTON

IN CITY COUNCIL

ORDERED: That the sum of Two Million Four Hundred Fifteen Thousand Dollars (\$2,415,000) be, and hereby is, appropriated for the planning, designing, acquisition and development of land, constructing and originally equipping structures and facilities and for remodeling, reconstructing, or making major alterations, additions and major repairs to existing facilities including original equipment and landscaping, paving and other site improvements incidental or directly related to such remodeling, reconstruction or repair for various departments including the Parks and Recreation Department and that to meet said appropriation the Collector/Treasurer be, and hereby is, authorized under the provisions of Chapter 642 of the Acts of 1966, as amended, or under the provisions of Clause (25) of Section 7 of Chapter 44 of the General Laws, to issue from time to time, on request of the Mayor, bonds, notes or certificates of indebtedness of the City up to said amount.



CITY OF BOSTON • MASSACHUSETTS

OFFICE OF THE MAYOR
THOMAS M. MENINO

April 8, 1997

TO THE CITY COUNCIL

Dear City Councilors:

I transmit herewith for your approval an appropriation order in the amount of \$23,470,000 for the purpose of planning, designing, acquiring land for, constructing and originally equipping structures and facilities and for remodeling, reconstructing, or making major alterations, additions and major repairs to existing facilities, including original equipment and landscaping, including the planting of shade trees, paving and other site improvements incidental or directly related to such remodeling, reconstruction or repair for the use of various city departments including the Property Management, Library, Community Centers, Parks and Recreation, Police and Public Facilities Departments.

I urge your Honorable Body to pass this order.

Sincerely,

Thomas M. Menino
Mayor of Boston

CITY OF BOSTON

IN CITY COUNCIL

ORDERED: That the sum of Twenty Three Million Four Hundred Seventy Thousand Dollars (\$23,470,000) be, and hereby is, appropriated for the planning, designing, acquiring land for, constructing and originally equipping structures and facilities and for remodeling, reconstructing, or making major alterations, additions and major repairs to existing facilities including original equipment and landscaping, including the planting of shade trees, paving and other site improvements incidental or directly related to such remodeling, reconstruction or repair for various departments including the Property Management, Library, Community Centers, Parks and Recreation, Police and Public Facilities Departments and that to meet said appropriation the Collector/Treasurer be, and hereby is, authorized under the provisions of Chapter 642 of the Acts of 1966, as amended, or under the provisions of Clauses (3) and (3A) of Section 7 of Chapter 44 of the General Laws, to issue from time to time, on request of the Mayor, bonds, notes, or certificates of indebtedness of the City up to said amount.



CITY OF BOSTON • MASSACHUSETTS

OFFICE OF THE MAYOR
THOMAS M. MENINO

April 8, 1997

TO THE CITY COUNCIL

Dear City Councilors:

I transmit herewith for your approval an appropriation order in the amount of \$1,090,000 for the purpose of planning, designing, acquiring land for, constructing and originally equipping structures and facilities and for remodeling, reconstructing, or making major alterations, additions and major repairs to existing facilities, including original equipment and landscaping, including the planting of shade trees, paving and other site improvements incidental or directly related to such remodeling, reconstruction or repair for the use of various city departments including the Fire and Library Departments.

I urge your Honorable Body to pass this order.

Sincerely,

Thomas M. Menino

Mayor of Boston

CITY OF BOSTON

IN CITY COUNCIL

ORDERED: That the sum of One Million Ninety Thousand Dollars (\$1,090,000) be, and hereby is, appropriated for the planning, designing, acquiring land for, constructing and originally equipping structures and facilities and for remodeling, reconstructing, or making major alterations, additions and major repairs to existing facilities including original equipment and landscaping, including the planting of shade trees, paving and other site improvements incidental or directly related to such remodeling, reconstruction or repair for various city departments including the Fire and Library Departments, and that to meet said appropriation the Collector/Treasurer be, and hereby is, authorized under the provisions of Chapter 642 of the Acts of 1966, as amended, to issue from time to time, on request of the Mayor, bonds, notes or certificates of indebtedness of the City up to said amount.



CITY OF BOSTON • MASSACHUSETTS

OFFICE OF THE MAYOR
THOMAS M. MENINO

April 8, 1997

TO THE CITY COUNCIL

Dear City Councilors:

I transmit herewith for your approval an appropriation order in the amount of \$5,145,000 for the purpose of the construction of municipal outdoor recreational and athletic facilities, including the acquisition and development of land and the construction and reconstruction of such facilities.

I urge your Honorable Body to pass this order.

Sincerely,

Thomas M. Menino
Mayor of Boston

CITY OF BOSTON

IN CITY COUNCIL

ORDERED: That the sum of Five Million One Hundred Forty Five Thousand Dollars (\$5,145,000) be, and hereby is, appropriated for the construction of municipal outdoor recreational and athletic facilities, including the acquisition and development of land and the construction and reconstruction of such facilities, for the purpose of the Parks and Recreation, Community Centers and Environment Departments and that to meet said appropriation the Collector/Treasurer be, and hereby is, authorized under Clause (25) of Section 7 of Chapter 44 of the General Laws, to issue from time to time, on request of the Mayor, bonds, notes or certificates of indebtedness of the City up to said amount.



CITY OF BOSTON • MASSACHUSETTS

OFFICE OF THE MAYOR
THOMAS M. MENINO

April 8, 1997

TO THE CITY COUNCIL

Dear City Councilors:

I transmit herewith for your approval an appropriation order to amend an appropriation order originally passed by your Honorable Body on May 8, 1996 and May 22, 1996 and approved by the Mayor on June 4, 1996.

The proposed appropriation order would raise the amount from \$31,530,000 to \$37,185,000 for the planning, designing, acquiring land for, constructing and originally equipping structures and facilities and for remodeling, reconstructing, or making major alterations, additions and major repairs to existing facilities including original equipment and landscaping, including the planting of shade trees, paving and other site improvements incidental or directly related to such remodeling, reconstruction or repair for various city departments including the Property Management, Public Facilities, Parks and Recreation, Library and Public Works Departments.

I urge your Honorable Body to pass this order.

Sincerely,

A handwritten signature in dark ink, appearing to read "Thomas M. Menino", written over a horizontal line.

Thomas M. Menino
Mayor of Boston

CITY OF BOSTON

IN CITY COUNCIL

ORDERED: That an appropriation order originally passed by your Honorable Body on May 8, 1996 and May 22, 1996, and approved by the Mayor on June 4, 1996 in the amount of Thirty One Million Five Hundred Thirty Thousand Dollars (\$31,530,000), is amended by inserting in place thereof the sum of Thirty Seven Million One Hundred Eighty Five Thousand Dollars (\$37,185,000), appropriated for the planning, designing, acquiring land for, constructing and originally equipping structures and facilities and for remodeling, reconstructing, or making major alterations, additions and major repairs to existing facilities including original equipment and landscaping, including the planting of shade trees, paving and other site improvements incidental or directly related to such remodeling, reconstruction or repair for various city departments including the Property Management, Public Facilities, Parks and Recreation, Library and Public Works Departments and that to meet said appropriation the Collector/Treasurer be, and hereby is, authorized under the provisions of Chapter 642 of the Acts of 1966, as amended, or under the provisions of Clauses (3) and (3A) of Section 7 of Chapter 44 of the General Laws, to issue from time to time, on request of the Mayor, bonds, notes, or certificates of indebtedness of the City up to said amount.



CITY OF BOSTON • MASSACHUSETTS

OFFICE OF THE MAYOR
THOMAS M. MENINO

April 8, 1997

TO THE CITY COUNCIL

Dear City Councilors:

I transmit herewith for your approval an appropriation order to amend an appropriation order originally passed by your Honorable Body on April 13, 1994 and April 27, 1994, and approved by the Mayor on May 4, 1994, and again amended on May 10, 1995 and May 24, 1995 and approved by the Mayor on June 2, 1995.

The proposed appropriation order would raise the amount from \$6,000,000 to \$9,335,000 appropriated for the cost of departmental equipment to service city departments including the Fire Department, the Health and Hospitals Department and the Management Information Services (M.I.S.) Department.

I urge your Honorable Body to pass this order.

Sincerely,

Thomas M. Menino
Mayor of Boston

CITY OF BOSTON

IN CITY COUNCIL

ORDERED: That an appropriation order originally passed by your Honorable Body on April 13, 1994 and April 27, 1994 and approved by the Mayor on May 4, 1994 in the amount of Four Million Four Hundred Ten Thousand Dollars (\$4,410,000), and amended by your Honorable Body on May 10, 1995 and May 24, 1995, and approved by the Mayor on June 2, 1995 to the amount of Six Million Dollars (\$6,000,000), is further amended by inserting in place thereof the sum of Nine Million Three Hundred Thirty Five Thousand Dollars (\$9,335,000) appropriated for the cost of departmental equipment to service city departments including the Fire Department, the Health and Hospitals Department and the Management Information Services (M.I.S.) Department; and that to meet said appropriation the Collector/Treasurer be, and hereby is, authorized under the provisions of Clause (9) of Section 7 of Chapter 44 of the General Laws, to issue from time to time, on request of the Mayor, bonds, notes or certificates of indebtedness of the City up to said amount.



CITY OF BOSTON • MASSACHUSETTS

OFFICE OF THE MAYOR
THOMAS M. MENINO

April 8, 1997

TO THE CITY COUNCIL

Dear City Councilors:

I transmit herewith for your approval an appropriation order to amend an appropriation order originally passed by your Honorable Body on May 8, 1996 and May 22, 1996, and approved by the Mayor on June 25, 1996.

The proposed appropriation order would raise the amount from \$4,595,000 to \$15,760,000 to provide for the cost of departmental equipment to service various city departments including the Management and Information Systems, Parks and Recreation, Printing and Property Management Departments.

I urge your Honorable Body to pass this order.

Sincerely,

Thomas M. Menino

Mayor of Boston

CITY OF BOSTON

IN CITY COUNCIL

ORDERED: That an appropriation order originally passed by your Honorable Body on May 8, 1996 and May 22, 1996, and approved by the Mayor on June 25, 1996 in the amount of Four Million Five Hundred Ninety Five Thousand Dollars (\$4,595,000), is amended by inserting in place thereof the sum of Fifteen Million Seven Hundred Sixty Thousand Dollars (\$15,760,000), appropriated for the cost of departmental equipment to service various city departments including the Management and Information Systems, Parks and Recreation, Printing and Property Management Departments; and that to meet said appropriation the Collector/Treasurer be, and hereby is, authorized under the provisions of Clause (9) of Section 7 of Chapter 44 of the General Laws, to issue from time to time, on request of the Mayor, bonds, notes or certificates of indebtedness of the City up to said amount.



CITY OF BOSTON • MASSACHUSETTS

OFFICE OF THE MAYOR
THOMAS M. MENINO

April 8, 1997

TO THE CITY COUNCIL

Dear City Councilors:

I transmit herewith for your approval an appropriation order to amend an appropriation order originally passed by your Honorable Body on March 11, 1992 and March 25, 1992, and approved by the Mayor on April 2, 1992, amended on April 13, 1994 and April 27, 1994 and approved by the Mayor on May 4, 1994, further amended on May 10, 1995 and May 24, 1995 and approved by the Mayor on June 2, 1995, and again amended on May 8, 1996 and May 22, 1996 and approved by the Mayor on June 4, 1996.

The proposed appropriation order would raise the amount from \$15,915,000 to \$18,605,000 for the purpose of the installation of traffic control signals and public lighting installations, fire alarm or police communication installations and for extending and improving such installations.

I urge your Honorable Body to pass this order.

Sincerely,

Thomas M. Menino

Mayor of Boston

CITY OF BOSTON

IN CITY COUNCIL

ORDERED: That an appropriation order originally passed by your Honorable Body on March 11, 1992 and March 25, 1992, and approved by the Mayor on April 2, 1992 in the amount of Nine Hundred Seventy Thousand Dollars (\$970,000), and amended by your Honorable Body on April 13, 1994 and April 27, 1994, and approved by the Mayor on May 4, 1994 to the amount of Eight Million Two Hundred Forty Thousand Dollars (\$8,240,000), and further amended by your Honorable Body May 10, 1995 and May 24, 1995, and approved by the Mayor on June 2, 1995 to the amount of Ten Million Three Hundred Five Thousand Dollars (\$10,305,000), and again amended by your Honorable Body on May 8, 1996 and May 22, 1996, and approved by the Mayor on June 4, 1996 to the amount of Fifteen Million Nine Hundred Fifteen Thousand Dollars (\$15,915,000), is yet further amended by inserting in place thereof the sum of Eighteen Million Six Hundred Five Thousand Dollars (\$18,605,000) appropriated for the installation of traffic control signals and public lighting, fire alarm or police communication installations and for the purpose of extending and improving such installations; and that to meet said appropriation the Collector/Treasurer be, and hereby is, authorized under the provisions of Clause (14) Section 7 of Chapter 44 of the General Laws to issue from time to time, on request of the Mayor, bonds, notes or certificates of indebtedness of the City up to said amount.



CITY OF BOSTON • MASSACHUSETTS

OFFICE OF THE MAYOR
THOMAS M. MENINO

April 8, 1997

TO THE CITY COUNCIL

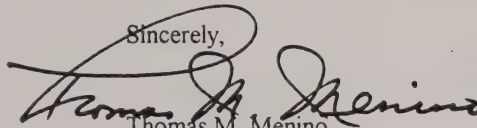
Dear City Councilors:

I transmit herewith for your approval an appropriation order to amend an appropriation order originally passed by your Honorable Body on April 13, 1994 and April 27, 1994, and approved by the Mayor on May 4, 1994, amended on May 10, 1995 and May 24, 1995 and approved by the Mayor on June 2, 1995, and again amended on May 8, 1996 and May 22, 1996 and approved by the Mayor on June 4, 1996.

The proposed appropriation order would raise the amount from \$1,735,000 to \$8,880,000 for the purpose of closing out a landfill area, opening a new landfill area, or making improvements to an existing landfill area.

I urge your Honorable Body to pass this order.

Sincerely,



Thomas M. Menino
Mayor of Boston

CITY OF BOSTON

IN CITY COUNCIL

ORDERED: That an appropriation order originally passed by your Honorable Body on April 13, 1994 and April 27, 1994, and approved by the Mayor on May 4, 1994 in the amount of Two Hundred Five Thousand Dollars (\$205,000), and amended by your Honorable Body on May 10, 1995 and May 24, 1995, and approved by the Mayor on June 2, 1995 to the amount of One Million Twenty Thousand Dollars (\$1,020,000), and further amended by your Honorable Body on May 8, 1996 and May 22, 1996, and approved by the Mayor on June 4, 1996 to the amount of One Million Seven Hundred Thirty Five Thousand Dollars (\$1,735,000), is yet further amended by inserting in place thereof the sum of Eight Million Eight Hundred Eighty Thousand Dollars (\$8,880,000), appropriated for the purpose of closing out a landfill area, opening a new landfill area, or making improvements to an existing landfill area, provided, however, that no indebtedness shall be incurred hereunder until plans relating to the project shall have been submitted to the Department of Environmental Quality Engineering and the approval of said Department has been granted therefore; and that to meet said appropriation the Collector/Treasurer be, and hereby is, authorized under Clause (24) of Section 8 of Chapter 44 of the General Laws, to issue from time to time, on request of the Mayor, bonds, notes, or certificates of indebtedness of the City up to said amount.



CITY OF BOSTON • MASSACHUSETTS

OFFICE OF THE MAYOR
THOMAS M. MENINO

April 8, 1997

TO THE CITY COUNCIL

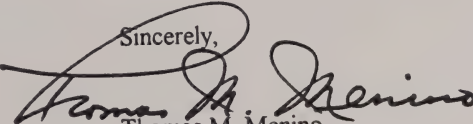
Dear City Councilors:

I transmit herewith for your approval an appropriation order to amend an appropriation order originally passed by your Honorable Body on May 8, 1996 and May 22, 1996, and approved by the Mayor on June 4, 1996.

The proposed appropriation order would raise the amount from \$3,060,000 to \$4,845,000 for the purpose of the development, design, purchase and installation of computer hardware, other data processing equipment and computer assisted integrated financial management and accounting systems, for various city departments including the School Department.

I urge your Honorable Body to pass this order.

Sincerely,


Thomas M. Menino
Mayor of Boston

CITY OF BOSTON

IN CITY COUNCIL

ORDERED: That an appropriation order originally passed by your Honorable Body on May 8, 1996 and May 22, 1996, and approved by the Mayor on June 4, 1996 in the amount of Three Million Sixty Thousand Dollars (\$3,060,000), is amended by inserting in place thereof the sum of Four Million Eight Hundred Forty Five Thousand Dollars (\$4,845,000), appropriated for the development, design, purchase and installation of computer hardware, other data processing equipment and computer assisted integrated financial management and accounting systems, for various city departments including the School Department and that to meet said appropriation, the Collector/Treasurer be, and hereby is, authorized under Clause (28) of Section 7 of Chapter 44 of the General Laws, to issue from time to time, on request of the Mayor, bonds, notes or certificates of indebtedness of the City up to said amount.



CITY OF BOSTON • MASSACHUSETTS

OFFICE OF THE MAYOR
THOMAS M. MENINO

April 8, 1997

TO THE CITY COUNCIL

Dear City Councilors:

I transmit herewith for your approval an appropriation order to amend an appropriation order originally passed by your Honorable Body on May 10, 1995 and May 24, 1995, and approved by the Mayor on June 2, 1995, and again amended on May 8, 1996 and May 22, 1996 and approved by the Mayor on June 4, 1996.

The proposed appropriation order would raise the amount from \$10,330,000 to \$17,370,000 to be expended in aid of the Boston Redevelopment Authority for defraying such part of the costs of redevelopment, renovation, modernization, acquisition, purchase and operations relative to urban renewal projects located in various urban renewal areas throughout the City of Boston.

I urge your Honorable Body to pass this order.

Sincerely,

Thomas M. Menino
Mayor of Boston

CITY OF BOSTON

IN CITY COUNCIL

ORDERED: That an appropriation originally passed by your Honorable Body on May 10, 1995 and May 24, 1995, and approved by the Mayor on June 2, 1995 in the amount of Two Million Forty Thousand Dollars (\$2,040,000), and amended by your Honorable Body on May 8, 1996 and May 22, 1996, and approved by the Mayor on June 4, 1996 to the amount of Ten Million Three Hundred Thirty Thousand Dollars (\$10,330,000), is further amended by inserting in place thereof the sum of Seventeen Million Three Hundred Seventy Thousand Dollars (\$17,370,000), appropriated to be expended in aid of the Boston Redevelopment Authority for defraying such part of the costs of redevelopment, renovation, modernization, acquisition, purchase and operations relative to Urban Renewal projects located in the the following urban renewal areas: Charlestown, West End, Government Center, South End, Fenway, Park Plaza, Kittredge Square, St. Botolph Street, School-Franklin, South Station, Brunswick-King, Boylston-Essex, South Cove, Washington Park, Campus High, Whitney Street, New York Streets, Central Business District, Bedford-West, North Harvard, Sumner Street NPD and Waterfront, as will not be met by loans (other than temporary loans) or by contributions or grants from the federal government or from any other source; and that to meet said appropriation the Collector/Treasurer be, and hereby is, authorized under the provisions of Section 20 of Chapter 121B of the General Laws, as amended, to issue from time to time, on request of the Mayor, bonds, notes or certificates of indebtedness of the City up to said amount.



CITY OF BOSTON • MASSACHUSETTS

OFFICE OF THE MAYOR
THOMAS M. MENINO

April 8, 1997

TO THE CITY COUNCIL

Dear City Councilors:

I transmit herewith for your approval an appropriation order to amend an appropriation order originally passed by your Honorable Body on June 12, 1996 and June 26, 1996 and approved by the Mayor on July 9, 1996.

The proposed appropriation order would raise the amount from \$57,140,000 to \$137,975,000 for projects which may become approved school projects within the meaning of Chapter 645 of the Acts of 1948, as amended, including the acquiring land for, constructing and originally equipping and furnishing public schoolhouses and additions, and for the reconstruction, remodeling, rehabilitation and modernization of any schoolhouse or addition.

I urge your Honorable Body to pass this order.

Sincerely,

Thomas M. Menino
Mayor of Boston

CITY OF BOSTON

IN CITY COUNCIL

ORDERED: That an appropriation order originally passed by your Honorable Body on June 12, 1996 and June 26, 1996, and approved by the Mayor on July 9, 1996 in the amount of Fifty Seven Million One Hundred Forty Thousand Dollars (\$57,140,000), is amended by inserting in place thereof the sum of One Hundred Thirty Seven Million Nine Hundred Seventy Five Thousand Dollars (\$137,975,000), appropriated for projects which may become approved school projects within the meaning of Chapter 645 of the Acts of 1948, as amended, including the acquiring land for, constructing and originally equipping and furnishing public schoolhouses and additions, and for the reconstruction, remodeling, rehabilitation and modernization of any schoolhouse or addition; and that to meet said appropriation the Collector/Treasurer be, and hereby is, authorized under the provisions of Section 8 of Chapter 645 of the Acts of 1948, as amended, or under the provisions of Chapter 642 of the Acts of 1966, as amended, or under the provisions of Clauses (3) and (3A) of Section 7 of Chapter 44 of the General Laws, to issue from time to time, on request of the Mayor, bonds, notes or certificates of indebtedness of the City up to said amount.



CITY OF BOSTON • MASSACHUSETTS

OFFICE OF THE MAYOR
THOMAS M. MENINO

April 8, 1997

TO THE CITY COUNCIL

Dear City Councilors:

I transmit herewith for your approval an appropriation order to amend an appropriation order originally passed by your Honorable Body on June 29, 1996 and July 31, 1996, and approved by the Mayor on August 5, 1996.

The proposed appropriation order would raise the amount from \$6,473,000 to \$9,633,000 for the purpose of planning, designing, acquiring land for, constructing and originally equipping structures and facilities and for remodeling, reconstructing or making major alterations, additions and major repairs to existing facilities, including original equipment and landscaping, including the planting of shade trees, paving and other site improvements incidental or directly related to such remodeling, reconstruction or repair for the purpose of various departments including the Health and Hospitals Department.

I urge your Honorable Body to pass this order.

Sincerely,

Thomas M. Menino
Mayor of Boston



CITY OF BOSTON

IN CITY COUNCIL

ORDERED: That an appropriation order originally passed by your Honorable Body on June 29, 1996 and July 31, 1996, and approved by the Mayor on August 5, 1996 in the amount of Six Million Four Hundred Seventy Three Thousand Dollars (\$6,473,000), is amended by inserting in place thereof the sum of Nine Million Six Hundred Thirty Three Thousand Dollars (\$9,633,000), appropriated for the planning, designing, acquiring land for, constructing and originally equipping structures and facilities and for remodeling, reconstructing, or making major alterations, additions and major repairs to existing facilities including original equipment and landscaping, including the planting of shade trees, paving and other site improvements incidental or directly related to such remodeling, reconstruction or repair for various city departments including the Health and Hospitals Department and that to meet said appropriation the Collector/Treasurer be, and hereby is, authorized under the provisions of Chapter 642 of the Acts of 1966, as amended, or under the provisions of Clauses (3) and (3A) of Section 7 of Chapter 44 of the General Laws, to issue from time to time, on request of the Mayor, bonds, notes, or certificates of indebtedness of the City up to said amount.



CITY OF BOSTON • MASSACHUSETTS

OFFICE OF THE MAYOR
THOMAS M. MENINO

April 8, 1997

TO THE CITY COUNCIL

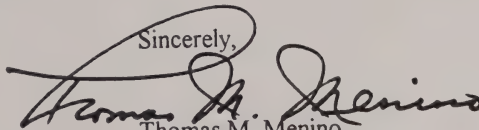
Dear City Councilors:

I transmit herewith for your approval an appropriation order to amend an appropriation order originally passed by your Honorable Body on May 8, 1996 and May 22, 1996, and approved by the Mayor on June 25, 1996.

The proposed appropriation order would raise the amount from \$9,530,000 to \$12,155,000 for the purpose of the construction of municipal outdoor recreational and athletic facilities, including the acquisition and development of land and the construction and reconstruction of such facilities, for the purpose of the Parks and Recreation and Environment Departments.

I urge your Honorable Body to pass this order.

Sincerely,


Thomas M. Menino
Mayor of Boston

CITY OF BOSTON

IN CITY COUNCIL

ORDERED: That an appropriation order originally passed by your Honorable Body on May 8, 1996 and May 22, 1996, and approved by the Mayor on June 25, 1996 in the amount of Nine Million Five Hundred Thirty Thousand Dollars (\$9,530,000), is amended by inserting in place thereof the sum of Twelve Million One Hundred Fifty Five Thousand Dollars (\$12,155,000), appropriated for the construction of municipal outdoor recreational and athletic facilities, including the acquisition and development of land and the construction and reconstruction of such facilities, for the purpose of the Parks and Recreation and Environment Departments and that to meet said appropriation the Collector/Treasurer be, and hereby is, authorized under Clause (25) of Section 7 of Chapter 44 of the General Laws, to issue from time to time, on request of the Mayor, bonds, notes or certificates of indebtedness of the City up to said amount.



CITY OF BOSTON • MASSACHUSETTS

OFFICE OF THE MAYOR
THOMAS M. MENINO

April 8, 1997

TO THE CITY COUNCIL

Dear City Councilors:

I transmit herewith for your approval an appropriation order to amend an appropriation order originally passed by your Honorable Body on June 5, 1996 and June 26, 1996 and approved by the Mayor on July 9, 1996.

The proposed appropriation order would raise the amount from \$6,039,500 to \$7,059,500 for acquiring land, or interests in land, for any purpose for which the City is or may be authorized to acquire land or interests therein; and for the construction of buildings, or for additions to such buildings where such additions increase the floor space of said buildings, including the cost of original equipment and furnishings of said buildings, for various departments including the Police Department.

I urge your Honorable Body to pass this order.

Sincerely,

Thomas M. Menino
Mayor of Boston

CITY OF BOSTON

IN CITY COUNCIL

ORDERED: That an appropriation order originally passed by your Honorable Body on June 5, 1996 and June 26, 1996, and approved by the Mayor on July 9, 1996 in the amount of Six Million Thirty Nine Thousand Five Hundred Dollars (\$6,039,500), is amended by inserting in place thereof the sum of Seven Million Fifty Nine Thousand Five Hundred Dollars (\$7,059,500), appropriated for acquiring land, or interests in land, for any purpose for which the City is or may be authorized to acquire land or interests therein; and for the construction of buildings, or for additions to such buildings where such additions increase the floor space of said buildings, including the cost of original equipment and furnishings of said buildings, for various departments including the Police Department; and that to meet said appropriation the Collector/Treasurer be, and hereby is, authorized under the provisions of Clause (3) of Section 7 of Chapter 44 of the General Laws, to issue from time to time, on request of the Mayor, bonds, notes or certificates of indebtedness of the City up to said amount.



CITY OF BOSTON • MASSACHUSETTS

OFFICE OF THE MAYOR
THOMAS M. MENINO

April 8, 1997

TO THE CITY COUNCIL

Dear City Councilors:

I transmit herewith for your approval an appropriation order to amend an appropriation order originally passed by your Honorable Body on May 8, 1996 and May 22, 1996, and approved by the Mayor on June 4, 1996.

The proposed appropriation order would raise the amount from \$1,020,000 to \$1,530,000 for the purpose of the development, design, and purchase of computer software, incident to the purchase, installation and operation of computer hardware and other data processing equipment and computer assisted integrated financial management and accounting systems, for various city departments including the School Department.

I urge your Honorable Body to pass this order.

Sincerely,

Thomas M. Menino
Mayor of Boston

CITY OF BOSTON

IN CITY COUNCIL

ORDERED: That an appropriation order originally passed by your Honorable Body on May 8, 1996 and May 22, 1996, and approved by the Mayor on June 4, 1996 in the amount of One Million Twenty Thousand Dollars (\$1,020,000), is amended by inserting in place thereof the sum of One Million Five Hundred Thirty Thousand Dollars (\$1,530,000), appropriated for the development, design, and purchase of computer software, incident to the purchase, installation and operation of computer hardware and other data processing equipment and computer assisted integrated financial management and accounting systems, for various city departments including the School Department, and that to meet said appropriation, the Collector/Treasurer be, and hereby is, authorized under Clause (29) of Section 7 of Chapter 44 of the General Laws, to issue from time to time, on request of the Mayor, bonds, notes or certificates of indebtedness of the City up to said amount.

Revenue Estimates and Analysis



Revenue Estimates and Analysis

Overview

The proposed FY98 budget is supported with \$1.415 billion in recurring revenue (a 4.9% increase from FY97), and \$4.3 million in non-recurring revenue. The projected FY98 recurring revenue amount will represent the fifth straight year of recurring revenue growth for the City. (Figure 1.) The continuing trend of positive revenue growth for the City is linked directly to stability in the Commonwealth's financial situation and the growing regional and national economies.

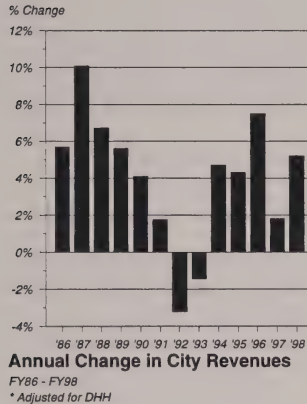


Figure 1

This chapter begins with a review of national and state economic and political trends which will impact Boston in FY98 and beyond. It is followed by an analysis of recent state budget trends and related implications for the City's second largest revenue source, state local aid. Finally, a detailed discussion of the property tax levy, the City's largest revenue source, is presented. With hospital revenues no longer a part of the City's fiscal landscape, property tax and state aid loom ever larger in determining the City's ability to deliver adequate services. (Figure 2.)

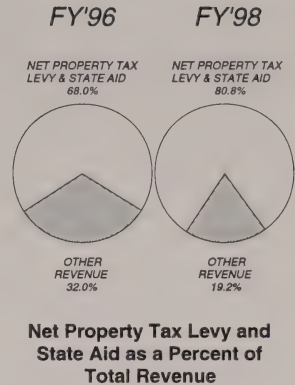


Figure 2

The Nation

The United States is currently experiencing a period of stable economic growth. When the economy officially emerged from the last recession in the second quarter of 1991, economic growth was slow at first. In order to stimulate more growth, the Federal Reserve continued to lower the federal funds rate, reaching a low of 3% in September 1992, down from a cycle high of 9.75% in February 1989. Lower interest rates helped the economy expand as gross domestic product measured in constant dollars grew 3.7% in 1992, 3.1% in 1993, and 3.5% in 1994.

During 1994 and early 1995, the Fed raised short term interest rates seven times to 6% in an effort to keep the economy from growing too fast and causing higher inflation. This strategy worked well, but almost too well. Gross domestic product for the fourth quarter of 1995 fell to 0.9% (2.0% for the year). Inflation for the year ended February 1996 was low at 2.7% and the seasonally adjusted unemployment rate for the United States for February 1996 was 5.5%, up from 5.4% a year earlier.

During late 1995 and early 1996, the Fed then lowered the federal funds rate 3 times to 5.25% in an effort to keep the economy from falling into recession. This

worked as intended as gross domestic product for the fourth quarter of 1996 jumped to 3.8% (2.4% for the year) and unemployment fell to 5.4% in January 1997 from 5.7% a year earlier. The Fed has kept the economy out of a recession and lowered the unemployment rate but stronger growth can bring slightly higher prices. Inflation for the year ended February 1997 was 3.0%, up from 2.7% for the year ended February 1996.

The Fed never wants too much prosperity to last too long because of its concern about rising inflation caused by strong economic activity and low unemployment. Therefore, on March 25, 1997, the Fed raised the federal funds rate 25 basis points to 5.5%. This tighter monetary policy is the Fed's way of preventing a stable economy from growing too fast, which could lead to labor shortages given the low unemployment rate, which could then lead to rising wages, which could then lead to higher inflation.

When the economy is growing steadily with low unemployment, there is a risk of higher inflation. Higher interest rates slow the economy by making money more expensive to borrow for such things as home purchases. For example, rates on 30-year fixed-rate mortgages rose from a 25-year low of under 7% in October 1993 to nearly 9% in early 1995 as the Fed raised interest rates seven times in a little over a year. The average conventional 30-year fixed rate mortgage fell to around 7.8% in March 1996 as the Fed cut interest rates 3 times in late 1995 and early 1996. There were no Federal Reserve policy changes on interest rates from March 1996 to March 1997 and mortgage rates stayed relatively stable as the conventional 30-year fixed rate mortgage on March 27, 1997 was 7.97%. Even though mortgage rates will slowly rise in the near term due to the Fed's recent interest rate hike, they are still historically low and the real estate market should stay healthy for a while longer.

Currently, debate of national economic policy has focused upon the federal budget deficit. Congress and President Clinton have been unable to pass a plan that will balance the budget by 2002. The Re-

publicans in Congress want a capital gains tax cut and deeper cuts in entitlement programs in a balanced budget plan while President Clinton wants smaller, targeted tax cuts aimed at the middle class and smaller cuts in entitlements. With or without a balanced budget agreement, there are likely to be severe cutbacks in federal programs as Congress devises ways to reduce the federal budget deficit. Similarly, Congress is reviewing many specific plans to change the Federal government's role, including moving many programs to states in the form of block grants. Balancing the federal budget by 2002 will involve cutting hundreds of billions of dollars in federal spending and will likely bring about an era of decreasing federal aid to states.

The Commonwealth

Economic growth in Massachusetts during 1996 was moderate. Employment in Massachusetts continued a mild trend of growth. The Massachusetts non-farm payroll showed a gain of 40,400 jobs in 1996, a gain of 1.3%. This was down from a gain of 57,700 jobs in 1995, a gain of 2.0%. The Massachusetts seasonally adjusted unemployment rate for January 1997 was 4.0%, down from 4.9% a year earlier. (Figure 3.)

The Massachusetts economy has been changing from an economy dependent on defense and other types of manufacturing to a service economy. Massachusetts has lost over a third of its manufacturing jobs since 1980. At that time, manufacturing industry employment accounted for 25% of total Massachusetts non-farm employment. By December 1996, it accounted for only 14.5%, a 16 year loss of approximately 230,000 manufacturing jobs. Meanwhile, in 1996, total non-farm employment in the finance, insurance, real estate, and services industries accounted for 41.9%, up from 30% in 1980.

At the cutting edge of the service economy are some of Massachusetts' strongest growth sectors; high technology, biotech, health care, financial services, and education. Route 128 has become well known nationally as a leading high

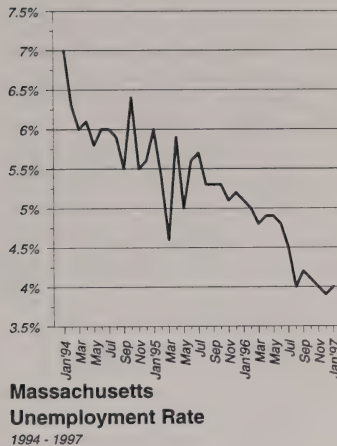


Figure 3

technology area while Boston and Cambridge have become home to several leading biotech companies. Massachusetts has always been a leader in health care, from the first public demonstration of anesthesia at Massachusetts General Hospital in 1846 to the proliferation of managed care. Recently, several hospital expansions, alliances and mergers have occurred, ensuring a future leadership role in health care for Massachusetts.

The Commonwealth is also home to many leading financial services institutions including John Hancock Financial Services, The Prudential Insurance Company, and Fidelity Investments. Beginning with the first mutual fund in the United States, which was started in Boston, the Commonwealth has attracted leading mutual fund and other financial services companies.

The Massachusetts economy is helped immensely by the numerous public and private colleges and universities within its borders. The largest and best known of these institutions include Harvard University, Massachusetts Institute of Technology, Boston College, Boston University, Northeastern University, and the University of Massachusetts. With the national movement toward a service

economy, Massachusetts is well positioned for the future.

In 1995, the Commonwealth's international exports increased 15.3% to \$15.1 billion. The 1995 growth in the Commonwealth's exports exceeded the national increase in exports of 13.8%. Commonwealth exports increased 7.1% in 1994, an improvement over the 0.3% increase in 1993, but far below the U.S. increase of 10.2%. Continued strong growth in exports from Massachusetts in 1997 will depend on a stable dollar and growing economies in Europe.

In 1996, there was stable growth in the Massachusetts construction industry. The value of residential construction contracts in Massachusetts increased 10.2% in 1993, rose 8.7% in 1994, decreased 7.8% in 1995, but rebounded with a 10.4% increase in 1996. Similarly, the value of nonresidential building construction contracts in Massachusetts increased 7.1% in 1993, 25.9% in 1994, 6.8% in 1995 and 5.2% in 1996. The level of construction is still well below the 1987-1988 peak, however, and is more reflective of construction activity of tax-exempt institutions and public works projects than of a resurgence in commercial construction.

The Commonwealth Budget

Over the last six years, the Commonwealth has been successful in balancing its own budget. This now gives the Commonwealth the capacity to support an adequate and diversified local revenue base which reduces over-reliance by municipalities on the property tax. The following summarizes the revenue and expenditure picture for the state budget with the purpose of reflecting upon the state's capacity to continue its strong local aid program for the state's cities, towns and school districts.

Commonwealth Revenues. The Commonwealth has tended to build its budgets cautiously the last several years by being relatively conservative in its revenue estimates. This definitely has played a role in the improved financial outlook for the Commonwealth. Total FY97 revenues from all sources for the Common-

wealth are projected to be \$17.853 billion, a decrease of 2.8% from FY96. This "decrease" is a reflection of the surprisingly positive results for FY96, as well as conservative projections for FY97. In FY96, state tax revenues were 3.4% above mid-year FY96 estimates. This falls in line with the trend over the last several years of exceeding by a good margin the apparently conservative estimates. Total FY96 revenues from all sources, including taxes, federal reimbursements, departmental and other revenue, and transfers, exceeded mid-year estimates by 6.3%.

The Commonwealth's largest source of tax revenue is its income tax. Income taxes collected by the Commonwealth were \$6.707 billion in FY96, an increase of 12.3% from FY95. Income taxes in FY97 are currently projected to remain relatively flat. Income taxes accounted for approximately 55.7% of total tax revenues in FY96. The Commonwealth's income tax rate has remained stable since FY92 for earned income at 5.95%, and since FY90 for unearned income at 12%.

The sales and use tax is the second largest source of state tax revenue, accounting for 21.7% of total tax revenues in FY96. The Commonwealth imposes a 5% sales tax on retail sales of certain tangible properties, including retail sales of meals transacted in the Commonwealth and a corresponding 5% use tax on the storage, use, or consumption of certain tangible properties brought into the Commonwealth. However, food, clothing, prescribed medicine, materials and produce used in food production, machinery, materials, tools and fuel used in certain industries are exempt from sales taxation. Property subject to other excises (except cigarettes) is also exempt from sales taxation. Sales and use tax revenues increased 5.2% to \$2.610 billion in FY96 and are expected to rise 7.1% to \$2.795 billion in FY97.

The business corporations tax is the third largest source of state tax revenue, accounting for 7.3% of FY96 state tax revenues. Business corporations doing business in the Commonwealth, other than banks, trust companies, insurance companies, railroads, public utilities, and

safe deposit companies, are subject to an excise tax that has a property measure and an income measure. The value of Massachusetts tangible property not taxed locally or net worth allocated to the Commonwealth is taxed at \$2.60 per \$1,000 of value. The net income allocated to Massachusetts, which is based on net income for federal taxes, is taxed at 9.5% with a minimum of \$456. Both rates and the minimum tax include a 14% surtax. Tax revenues from corporations were \$876.3 million in FY96, a 3.8% decrease over FY95, with \$895 million expected in FY97.

Recently, Governor Weld received approval from the Legislature for a sliding scale for capital gains taxes from 12%, if an asset is held for one year or less, to 0% for assets held more than six years. The capital gains tax reduction became effective on January 1, 1996 and therefore will affect FY97 tax revenues only slightly.

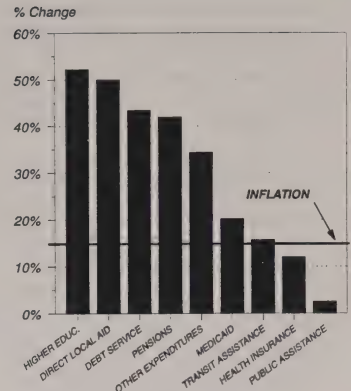
Several other changes in the Commonwealth's tax code were enacted in the last several years. Two income tax increases, passed in 1989 and 1990, dramatically increased state income tax revenues by raising the income tax rates for both earned and unearned income. These increases, along with budget cuts, were the major means by which the Commonwealth addressed its huge deficits in FY89 and FY90. In addition, the sales tax was extended to certain utility costs including telecommunications, netting an estimated \$100 million in FY92, and increasing up to \$140 million by FY96. In 1990, the motor fuel excise was increased from 11 cents per gallon to 17 cents, and further increased to 21 cents in 1991. These rate increases have resulted in total motor fuel excise receipts going from \$301.9 million in FY90 to \$562.6 million in FY94 with \$596 million expected in FY97. A new excise tax of 1.25 cents per cigarette was enacted by petition in November 1992 and imposed beginning January 1, 1993. The additional excise has resulted in total cigarette excise receipts increasing from \$139.9 million in FY92 to \$237.3 million in FY94. A further increase in this excise of 25 cents per cigarette pack, plus increases in taxes on

other tobacco uses, is estimated to increase the excise in FY97 to a total of \$304 million.

There have also been several tax reductions enacted recently, partially offsetting the income and other tax increases described above. For example, a major phased-in reduction in the estate tax was approved in 1992. The estate tax has been phased down by increasing the basic exemption by \$100,000 per year from 1993 to 1996, resulting in a change in the exemption from \$200,000 in 1992 to its current level of \$600,000. The estimated reduction in collections during FY96 and FY97 due to the reduction in the estate tax is \$112 million and \$139 million, respectively. It is unclear at this point whether the reduction in the estate tax has had the desired impact of reducing the migration of elderly Massachusetts residents out of the Commonwealth. If this proves to be the case, the estate tax reduction may in the long run be more than offset by increases in sales and income taxes.

Commonwealth Expenditures. From FY92 to FY97, total state expenditures have increased by a cumulative \$4.249 billion or 30.5%. During this period, some of the so-called "budget busters" such as Medicaid and debt service have continued to increase in cost, but the Commonwealth has made substantial inroads at controlling these costs on a long-term basis. Funding reductions in the initial years of this decade pressured higher education, regional transportation, and municipalities, all entities with revenue sources of their own, into increasing their own revenues. (Figure 4.)

From FY92 to FY97, the Commonwealth's annual cost for debt service has increased 43.4% or \$390.3 million to an expected level of \$1.289 billion in FY97. Part of this increase was due to the precipitous rise in capital spending by the Commonwealth, increasing between FY87 and FY89 from \$600 million to \$971 million. Subsequently, capital spending steadily decreased, reaching a low point in FY93 of \$575.9 million. Since then, capital expenditures have been on the rise, increasing to \$760.6 million in FY94,



State Expenditure Growth
FY92 vs. FY97

Figure 4

\$902.2 million in FY95, and \$908.5 million in FY96. The state projects \$900 million in capital spending during FY97. With Central Artery costs rising, and costs of a new convention center looming on the horizon, controlling debt service may be one of the more difficult challenges for the Commonwealth over the next few years. Due to the lower interest rates and numerous refinancings the last few years, the Commonwealth has been able to mitigate the impact of increased capital expenditures on its debt service. Debt service, as a percentage of total budgeted expenditures and other uses, is expected to increase from 6.6% in FY96 to 7.1% in FY97.

Inasmuch as each year's debt service represents obligations for borrowings of the past two or more decades and is only slightly impacted by the current year's borrowing, it takes several years of reduced capital-spending levels to fundamentally impact the debt service level. In the near-term, what has profoundly impacted the cost of debt service is the financing of the FY90 \$1.252 billion deficit. Of the \$5.992 billion paid out for debt service from FY93 through FY97, \$1.389 billion (23.2% of the total debt during this period) was related to Fiscal Recovery

Bonds which were used to finance the FY90 budget deficit. The remaining debt service on the Fiscal Recovery Bonds is \$278 million in FY97 and \$136 million in FY98, at which time the entire amount of the Fiscal Recovery Bonds will be paid.

From FY92 through FY97, the Commonwealth's annual cost for Medicaid has increased 20.2% or \$569.7 million, offset by approximately 50% federal reimbursement. From FY92 to FY96, the average annual rate of growth in Medicaid spending has been 5.0%, as compared to an average annual growth rate of approximately 17% between FY87 and FY91, even though the Medicaid caseload has grown from approximately 523,000 in FY90 to an expected amount of 654,000 in FY97. This is due to a number of savings and cost control initiatives including managed care, utilization review, and third party liability.

In addition, the health care reform bill, passed in 1996, expanded Medicaid coverage to 170,000 low-income adults, children and teenagers. However, this was done with the ground rule being that the expansion be neutral in its impact on the state budget. The major vehicle used to accomplish this was dedication of the increase in the tobacco tax to help pay for these services.

The Commonwealth's annual cost for higher education increased at an average annual rate of 9.0% from \$534 million in FY92 to \$743.9 million in FY96. In FY97, an estimated \$812.6 million will be spent for higher education. Major increases in tuition and fees were put in place between FY90 and FY94, including a 6% tuition increase for most campuses in FY92, a 4% tuition increase for all campuses in FY93, and a 2% tuition increase in FY94. There were no tuition increases in FY95. For FY97 the Board of Higher Education reversed its direction and reduced tuition by 10% at community colleges, and by 5% at state colleges and the University of Massachusetts.

The Commonwealth's annual cost for the Massachusetts Bay Transit Authority and other regional transit authorities has grown 15.7% from \$449.6 million in FY92

to \$520.1 million in FY97. This growth has been mitigated by fare increases, instituted partly in response to limits on Commonwealth funding for these authorities.

In FY93, Commonwealth officials, driven by practical considerations and availability of resources, reinstated increases in local aid in the form of aid earmarked for education. This period of increases followed three years of significant local aid reductions which played a key role in the Commonwealth's return to a balanced budget. The Commonwealth's annual cost for direct local aid has increased from \$2.359 billion in FY92 to \$3.538 billion in FY97. The following section looks at Boston's experience with local aid in detail.

State Local Aid

Local aid refers primarily to distributions from the state to municipal general revenues for Chapter 70 (education aid), additional assistance and lottery. The amount of these funds to be distributed is listed on each community's "cherry sheet" along with other relatively smaller Commonwealth programs such as library aid, school construction and transportation reimbursements, and highway funds. The City received local aid from the state totaling \$346.3 million in FY95, \$359.9 million in FY96, and has budgeted \$382.1 million in FY97. According to the Governor's proposed budget, the City can expect \$407.8 million in FY98.

Since FY82 there have been three distinct phases in state local aid funding policy. From FY82 through FY89, local aid policy was essentially a revenue sharing response to Proposition 2 1/2, the statewide cap on local property tax rates and levies. A reasonable annual increase in local aid became an essential component in the financial planning for municipalities. This phase was followed by draconian state aid reductions implemented during the FY90, FY91 and FY92 budgets. During this period, the Governor and the Legislature significantly reduced state revenue sharing with cities, towns, and regional schools. Between FY89 and FY92,

state-wide cherry sheet aid declined \$602 million or 20% while all other state spending increased by \$1.5 billion or 15%.

In the most recent phase, which began with passage of the FY93 state budget, the Commonwealth embarked upon a multi-year commitment to increase and equalize funding for local education. In general, education aid during the FY93-FY97 period has been less favorable for Boston than the revenue sharing / needs based distribution arrangement during the FY82-FY89 period. To illustrate: the City's total state aid between FY93 and FY97 increased by \$59 million or 18%, while its total state aid between FY83 and FY87 increased by \$123 million or 52%.

State-mandated costs are delivered in tandem with the new aid. FY97 is a good example. The significant increase in the City's Chapter 70 aid from \$92.1 million to \$115.5 million was partly undercut by the 50% increase in the cost of charter schools (mandated in the Education Reform bill) from \$6 million to \$9 million. Charter school tuition is drawn directly from the City's Chapter 70 aid.

All this being said, the current proposed Chapter 70 distribution for FY98 of approximately \$144.7 million, an increase in education aid of about \$29.1 million, less an estimated \$5.7 million increase in charter school tuition, is more in line with Boston's distributions under the needs based formula during the 1980's, and almost keeps pace with the City's educational service needs.

Education reform aid to cities and towns statewide is expected to be \$2.062 billion in FY97 and the Governor's proposed budget for FY98 includes \$2.289 billion of education reform aid, an increase of 11.0%. Boston's share of this aid is \$115.5 million in FY97 and is expected to be \$144.7 million in FY98, an increase of 25.2%. Even though Boston's education reform aid is climbing, the City's total state aid distribution from the Commonwealth in FY97 is still less than in FY89, prior to the state aid reductions made in FY90, FY91 and FY92. (This comparison does not take into account the significant increase

in state funding supporting Suffolk County corrections' costs). (Figure 5.)

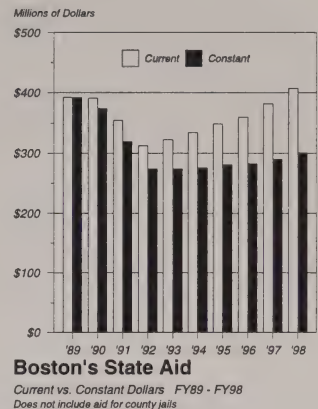


Figure 5

The FY93 education reform funding increase was mandated to be spent entirely on educational services. Responding to litigation which raised issues of equal access given unequal municipal capacity to support local school systems, the education reform law modified the FY94 educational aid distribution in two ways. First, a small amount of the aid was given as tax equity aid and allowed to be spent at the discretion of municipalities in which local spending on education was above a certain share of the local tax rate mandated by the Commonwealth. Second, some municipalities were required to increase their school funding from local sources of revenue because these communities were spending below the minimum level mandated by the Commonwealth.

Charter Schools. A key component of the Commonwealth's education reform efforts are the charter schools. Charter schools are public schools administered independently from local school committee and teacher union rules and regulations. Tuition is paid via a transfer of Chapter 70 funds from the City's general fund to the charter school on a per pupil

basis. The Governor's proposed FY98 budget recommends increasing the number of charter schools which can be opened statewide from twenty-five to seventy-five. In September 1997, the number of charter schools in Boston increased from four to five, with total enrollment of approximately 1,800 and the draw down on the City's Chapter 70 funding increased from \$6 million in FY96 to an estimated \$9 million in FY97. In the longer term, it is assumed that the charter schools that thrive will increase overall enrollment which in succeeding years will increase funding for the school district in the Chapter 70 formula and mitigate the negative fiscal impact of charter schools on the City's traditional public schools.

Lottery Distributions. Statewide lottery aid has increased 9.4% to \$484.2 million in FY97 and, according to the Governor's proposed budget, should increase 11.5% to \$539.7 million in FY98. The FY97 and FY98 increases are part of a commitment by the Commonwealth to phase out over five years its use of lottery revenue for purposes other than local aid. Boston's state lottery aid has increased 9.6% to \$41.1 million in FY97 and, according to the Governor's proposed budget, is expected to rise 11.1% to \$45.7 million in FY98.

Property Tax Levy

The property tax levy has been the City's largest and most dependable source of revenue growth during the past thirteen years. In FY97, the property tax levy was \$749.0 million, providing 55.5% of all City revenue, with an increase to \$776.2 million expected in FY98. According to current estimates, the property tax levy will account for 54.7% of total revenue in FY98.

The increases in the property tax levy were steady and consistent from FY85 to FY97, ranging from \$28 million to \$41 million. However, because of the increasing property tax levy base, the \$29.9 million increase in FY85 represented an 8.9% increase, while the \$29.5 million increase in FY97 represents a 4.1% growth rate. In

FY98, the \$27.2 million increase in the property tax levy would mark the smallest increase in the property tax levy since the property tax levy began growing again in FY85 after Proposition 2½ forced cuts in the levy. It is important for the financial health of the City that the property tax levy continue to grow but its future growth, as explained in more detail below, is not guaranteed.

Proposition 2½ has been the overwhelming factor affecting the City's property tax levy since being passed in 1980. Proposition 2½ limits the property tax levy in a city or town to no more than 2.5% of the total fair cash value of all taxable real and personal property. It also limits the total property tax levy to no more than a 2.5% increase over the prior year's total levy with certain provisions for new growth and construction. Finally, Proposition 2½ provides for local overrides of the levy limit and a local option to exclude certain debt from the limit. The City of Boston, however, has not voted to either override the levy limitations or exclude any debt from the limit.

Proposition 2½, as amended in 1991, allows growth in the levy beyond the 2.5% limit for any new properties and any increases in property valuations that are not related to municipal-wide revaluations. This limitation is more flexible than the original limitations on allowable new growth and has helped to offset the downward trend in the City's taxable new growth, permitting crucial revenue growth to a budget that has operated along the margins in the 1990's.

Due to the requirement of Proposition 2½ that the total property tax levy equal no more than 2.5% of the fair cash value of the property, Boston's property tax levy was reduced over three years from \$518.6 million in FY81 to \$333.2 million in FY84. In spite of thirteen years of steady growth, the FY97 property tax levy in constant dollars is \$56.6 million less than the pre-Proposition 2½ level. (Figure 6.)

In each year since FY85, the City has increased its levy by the allowable 2.5%. These increases have grown as the levy has grown, beginning in FY85 at \$8.4 mil-

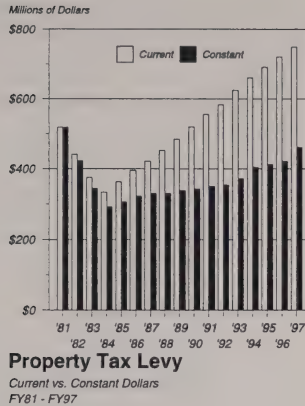


Figure 6

lion and reaching \$18.7 million in FY98. During these same years, the levy has also been positively impacted by taxable new value, especially from new construction which has added to the tax base. The combined effect of the allowable 2.5% increase and the taxable new value is an average annual levy increase from FY93 through FY97 of 5.1%, and a projected increase in FY98 of 3.6%.

From FY85 through FY89, assessed property values in Boston increased at an average annual rate of about 22%, thus far outpacing the capped growth in the levy. Most of this increase was due to appreciation in the value of existing properties. This disparity between value appreciation and levy growth caused a significant downward trend in the property tax rates. The City's effective property tax rate in FY84 was 2.5%; by FY89 the effective property tax rate had fallen to 1.4%. When the disparity between value growth and levy growth flows in this direction, the City's property tax base becomes more protected (i.e., more distant from the 2.5% threshold tax rate that would result in the allowable 2.5% annual levy growth being reduced in a low value growth year) and growth in average tax bills, with all else held equal, remains at 2.5%, even though

the factors in the equation that determine the bill (value multiplied by the tax rate) have each changed dramatically in opposite directions (values up, rates down).

What occurred in the Boston real estate market beginning in 1988 significantly reversed the FY85 through FY89 property tax trends described above (which reflect real estate activity in calendar years 1983 through 1987). As economic activity slowed, Boston's real estate values leveled off. Then, as the New England region experienced a deep recession, activity in both the commercial and residential markets slowed more dramatically. Office vacancy rates increased and downtown development came to a near standstill. All of this was reflected in the fourth City-wide revaluation, establishing values as of January 1, 1991 at \$29.8 billion. This represented an 18.1% decline from the prior year's total taxable value. This was followed by an 8.4% trending down for January 1, 1992 values at \$27.3 billion and a 1.9% decline for January 1, 1993 to \$26.8 billion. The January 1, 1994 values, established by the fifth city-wide revaluation, showed a 5.0% increase to \$28.1 billion. This was followed increases in taxable value of 4.5% and 5.5% in the following two years. These last three measures of taxable City property values, as well as the latest data, have demonstrated modest recovery and stability in the City's real estate market since the significant fall in values in the beginning of the decade. (Figure 7.)

As values decreased in the early 1990s, the City continued each year to maximize the allowable levy increase under Proposition 2 1/2. Between FY90 and FY94, the levy increased each year by an average of 6.4%. The dramatic decrease in values brought the effective tax rate (levy / taxable value) from its healthy low point of 1.4% in FY89 to 2.47% in FY94, dangerously close to the Proposition 2 1/2 tax rate ceiling of 2.50%. However, subsequent to the three years of total taxable value increases described above, the City now has a little bit of space between its FY97 net effective tax rate of 2.42% and the tax rate ceiling.

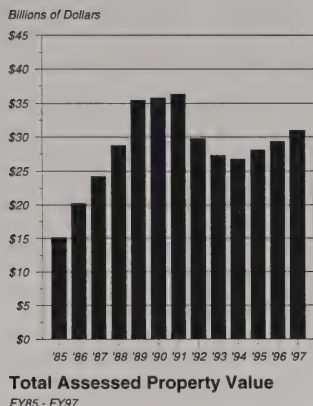


Figure 7

There are continued signs of improvement in some of the variables which influence decisions by investors to go forward with commercial and residential development. In many parts of Boston, single family home prices are rising, sales are increasing and apartment rents are moving higher. Commercial rental rates are also increasing and vacancy rates are falling.

Demand for office space in Boston continues to increase. As of the end of the third quarter of 1996, the overall Boston office vacancy rate dropped to 6.7%. At the end of the third quarter of 1996, office vacancy rates in Back Bay rose to 5.9% from 4.6% at the end of 1995. This was due to the offering of space for sublease. The direct space vacancy rate (a measure which includes subleases as occupancy) in Back Bay at the end of the third quarter of 1996 rose slightly to 4.2% from a very low level of 4.1% at the end of 1995. In the financial district, the vacancy rate fell to 6.7% at the end of the third quarter of 1996 from 8.6% at the end of 1995. Boston's financial district has the lowest vacancy rate of any major U.S. city. Because office vacancy rates are dropping, rents are rising. During the third quarter of 1996, the average asking rent per square foot in Back Bay had risen to

\$26.96 from \$24.99 in the fourth quarter of 1995. In the financial district, the average asking rent per square foot during the third quarter of 1996 was \$29.80, essentially unchanged from a very high level of \$29.86 in the fourth quarter of 1995. (Figure 8.)

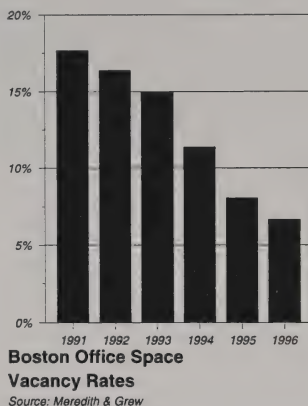


Figure 8

Boston's housing market is currently characterized by rising rental costs and rising single family home prices. In Boston, apartment rents are rising due to a short supply of rental condominiums and apartments. The supply of rental units is down as the sale of previously rented condominiums removed them from the rental market. The trend in home prices is higher as the median single family home price in the Boston Metropolitan Statistical Area at the end of the third quarter of 1996 was \$195,300, up 6.6% from the third quarter of 1995. This compares with the median single family home price in the United States at the end of the third quarter of 1996 of \$120,500, which was up 4.4% from the third quarter of 1995.

Should the real estate market, which is currently positive, suddenly depreciate again, the City's proximity to the 2.5% tax rate threshold could impair the growth of the property tax levy for the first time since FY84. This would have serious im-

plications for the City's future ability to maintain the current level of services. Fortunately, however, the real estate market has remained moderately healthy in 1995 and 1996.

Unfortunately, the City receives over 80% of its revenue from property taxes and state aid. When the economy weakens, pushing real estate values lower and negatively affecting the property tax levy, it is possible that state local aid could be cut at the same time. Real estate prices gen-

erally turn down because of weaker economic conditions and weaker economic conditions usually hurt the Commonwealth's tax collections and force it to increase spending on social programs thus negatively impacting the Commonwealth's ability to balance its budget without cutting local aid. Currently, the real estate market and the Commonwealth's financial position are strong.

CITY OF BOSTON REVENUE DETAIL

		FY95 Actual	FY96 Actual	FY97 Budget	FY98 Budget
PROPERTY TAX LEVY		689,951,482	719,450,006	748,950,514	776,174,277
OVERLAY RESERVE		(43,902,076)	(36,756,138)	(38,034,032)	(36,960,680)
Subtotal		646,049,406	682,693,868	710,916,482	739,213,597
EXCISES					
	Motor Vehicle Excise	24,476,520	27,640,945	25,000,000	28,600,000
011-0129	Room Occupancy Excise	16,702,775	17,581,967	16,500,000	17,700,000
011-0130	Jet Fuel Excise	11,497,193	12,011,087	12,000,000	12,000,000
011-0140	Condo Excise	76,000	102,000	140,000	140,000
	Boat Excise	20,384	3,326	20,000	20,000
Subtotal		52,772,872	57,339,325	53,660,000	58,460,000
FINES					
	Parking Fines	47,864,153	43,692,176	43,000,000	45,000,000
	District Court Fines	2,442,336	3,377,277	2,512,250	3,201,000
011-5104	Code Enforcement - Trash	92,368	167,117	135,000	140,000
Subtotal		50,398,857	47,236,570	45,647,250	48,341,000
011-7151	INTEREST ON INVESTMENTS	13,963,007	22,856,280	10,000,000	16,000,000
PAYMENTS IN LIEU OF TAXES					
011-0169	Massport	6,017,739	9,832,617	10,300,000	10,431,424
	Other Payments In Lieu of Taxes	6,538,879	7,524,514	8,141,803	7,871,070
Subtotal		12,556,618	17,357,131	18,441,803	18,302,494
URBAN REDEVELOPMENT CHAPTER 121A					
	Urban Redev. Chap. 121A Sec. 6A	9,051,969	8,306,429	8,184,604	7,969,195
011-1013	Urban Redev. Chap. 121A Sec. 10	26,120,896	23,876,809	22,370,975	22,542,789
Subtotal		35,172,866	32,183,238	30,555,579	30,511,984
MISC. DEPARTMENT REVENUE					
011-3105	Registry - Vital Statistics	811,022	814,333	870,000	1,000,000
011-3109	Liens	594,775	665,925	625,000	600,000
011-3120	City Clerk - Fees	348,034	378,825	375,000	500,000
011-3137	Municipal Medicaid Reimbursement	4,385,321	10,915,416	5,500,000	6,500,000
011-3202	Police Services	834,674	910,071	900,000	925,000
011-3211	Fire Services	1,797,302	1,727,871	1,700,000	2,100,000
011-3301	Parking Facilities	1,882,989	1,902,617	910,150	716,100
011-3311	Street, Sidewalk & Curb Repairs	2,243,850	2,112,318	2,000,000	2,100,000
011-3321	Buildings - Rents	358,819	357,943	400,000	260,000
011-4002	Tuition & Transportation - Schools	460,847	312,769	475,000	500,000
011-4101	Library Fees	160,221	158,682	150,000	160,000
011-4103	Library of Last Recourse	2,558,420	2,531,538	1,664,915	0
011-5106	Registry of Deeds Fees	1,527,741	1,629,848	1,600,000	1,800,000
011-7001	Telephone Commissions - City	128,535	125,887	120,000	130,000
011-7117	Worker's Comp. Reimbursement	1,016,646	1,062,921	1,100,000	1,100,000
011-7119	Settlements	617,032	894,306	1,300,000	1,400,000
011-7131	Pensions & Annuities	1,709,958	2,013,993	2,000,000	2,400,000
011-7132	Fringe Benefit & Indirect	299,750	629,822	500,000	500,000
011-7155	Prior Years Reimbursements	884,093	1,862,475	350,000	500,000
011-8000	Police Detail, 10% Admin. Fee	1,411,175	1,336,600	1,475,000	1,500,000
011-8003	Fire Detail, 10% Admin. Fee	104,333	159,809	150,000	170,000
	Other Misc. Departmental Revenue	1,788,502	2,347,368	4,572,172	1,625,687
Subtotal		25,924,037	34,851,338	28,737,237	26,486,787

		FY95	FY96	FY97	FY98
		Actual	Actual	Budget	Budget
LICENSES & PERMITS					
011-0211	Building Permits	7,629,395	11,777,653	9,350,000	9,000,000
011-0213	Weights & Measures	126,781	180,356	160,000	160,000
011-0215	Street and Curb Permits	1,077,763	1,204,420	1,000,000	1,100,000
011-0221	Health Inspections	774,090	1,033,856	850,000	900,000
011-0222	Alcoholic Beverage Licenses	2,177,122	2,195,375	2,200,000	2,210,000
011-0224	Entertainment Licenses	454,319	440,370	440,000	460,000
011-0225	Police & Protective Licenses and Permits	403,567	413,022	425,000	500,000
011-0229	Other Business Licenses and Permits	812,004	869,576	825,000	900,000
011-0235	Cable Television	1,545,707	1,629,008	1,700,000	1,750,000
	Other Licenses and Permits	151,345	217,052	260,000	300,000
	Subtotal	15,152,092	19,960,688	17,210,000	17,280,000
PENALTIES & INTEREST					
011-0133	Penalties & Interest - Property Tax	1,367,793	1,335,461	1,350,000	1,350,000
011-0134	Penalties & Interest - Motor Vehicle Excise	2,099,924	2,187,796	1,900,000	2,400,000
011-0136	Penalties & Interest - Tax Titles	5,755,399	5,097,184	4,400,000	5,000,000
	Other Penalties & Interest	657	557	500	500
	Subtotal	9,223,773	8,620,998	7,650,500	8,750,500
AVAILABLE FUNDS					
011-2502	Cemetery Trustee	600,000	500,000	700,000	700,000
011-2503	Parking Meters	3,500,000	7,000,000	8,500,000	8,500,000
	Subtotal	4,100,000	7,500,000	9,200,000	9,200,000
HOSPITAL REVENUE					
011-3401	Boston City Hospital	167,347,350	199,841,147	0	0
011-3421	Boston Specialty & Rehab. Hospital	12,346,789	6,978,267	0	0
	Subtotal	179,694,139	206,819,413	0	0
STATE AID					
011-1015	State Owned Land	240,990	144,203	164,257	164,257
011-1101	R.E. Abatements - Veterans	29,873	73,306	39,028	40,329
011-1102	R.E. Abatements - Widows & Others	264,150	264,150	264,338	273,149
011-1103	R.E. Abatements - Blind	27,125	54,600	27,145	28,050
011-1104	Elderly Exemptions	909,122	911,130	898,732	885,515
011-1105	Municipal Stabilization Aid	0	1,700,818	0	0
011-1111	State Lottery Local Aid	33,010,276	37,489,139	41,107,710	45,657,646
011-1112	Highways	836,476	836,476	836,476	836,476
011-1114	Veterans Services	800,731	1,454,713	1,211,304	1,022,435
011-1116	Additional Assistance	206,638,214	206,638,214	206,638,214	206,638,214
011-1119	Racing Taxes	286,154	412,557	421,895	421,895
011-1301	School Construction	11,930,864	12,940,828	13,725,534	11,346,660
011-1306	Chapter 70 Education Aid	81,493,602	92,069,040	115,517,953	144,666,098
011-1307	Charter Schools Tuition	0	(5,801,808)	(9,107,560)	(14,817,288)
011-1311	Transportation of Pupils	9,849,323	10,140,742	9,669,715	9,875,728
011-1316	Tuition for State Wards	0	587,208	724,674	724,674
	Subtotal	346,316,900	359,915,316	382,139,415	407,763,838
011-1115	TEACHERS PENSION REIMBURSEMENT	33,729,548	34,822,212	35,000,000	35,000,000
NON-RECURRING REVENUE					
011-2501	Surplus Property Disposition Fund	0	0	0	4,300,000
GRAND TOTAL		1,425,054,114	1,532,156,378	1,349,158,266	1,419,610,200

Education



Innovations in Education: Moving Forward

Introduction

The FY98 budget for the Boston Public Schools brings Boston several steps closer toward the goals outlined over a year ago during the Mayor's State of the City Address at the Jeremiah E. Burke High School. The BPS is following through on these goals in its FY97 and FY98 initiatives. Improvements in teaching and learning are moving forward through a clear vision, established goals, and the commitment to implementing change. The FY97 educational initiatives have seen positive success. Many of the educational initiatives in FY97 will continue into FY98 and the following years, in order to implement school-wide improvements. Successes include: five high schools upgraded to or reaffirmed at full accreditation; the Five Year Education Reform Plan, A Focus on Children; the LINC Technology Plan; the Read Boston Campaign; the Exam School Task Force Recommendations; seven pilot schools with 1,103 students; and 50 additional extended day kindergarten classes for five year olds, among others.

Boston's investment demonstrates its commitment to educational reform, spending \$50 million in excess of the state required maintenance of effort for Boston Public Schools in FY97. Boston increased educational spending by \$83.4 million between FY94 and FY98 and spent \$33 million in capital expenditures to upgrade school facilities in FY96 alone. In the Mayor's FY98 Recommended Budget, after reserving for collective bargaining and the increase in fixed costs, 72% of all new department appropriation dollars for the City goes to the BPS. The FY98 city budget is increasing 4.9% including a reserve for collective bargaining, while the BPS budget increases 4.2%. In addition, Boston funds the charter school initiative with approximately \$10 million in FY97 and approximately \$14.8 million in FY98. This is in addition to the funding for the Boston Public Schools.

Resources

The Boston Public Schools Budget represents a significant portion of the FY98 City Budget, reflecting Mayor Menino's commitment to education. A Boston Public Schools Budget of \$491.5 million, \$19.73 million or 4.2% over the FY97 budget appropriation, is being filed with the City Council. The FY98 BPS budget represents 43.2% of the total city department appropriations, an increase from 42.7% in FY97. The total of all funds for the FY98 BPS budget is \$560.2 million, and the FY98 capital authorization for schools is \$81.2 million. The FY98 BPS budget meets all costs associated with increased student enrollment, including hiring additional staff, purchasing additional instructional materials, and implementing the second year of the plan to convert to full-day kindergarten for five year olds, existing collective bargaining funding requirements, and increases in fixed costs, inflation and salary adjustments. The budget further directs resources to implement the School Committee's Five Year Education Reform Plan, A Focus on Children, as well as other priorities including funding for instructional materials and English/language arts and K-8 mathematics textbooks, the school-to-career program, student assessments, professional development, exam school admissions task force recommendations, literacy, technology, two new pilot schools, and accreditation-related issues.

Governance

The seven-member Boston School Committee is appointed by the Mayor to staggered terms and serves as the policy-making body of the Boston School Department. This structure was affirmed by the voters of the City of Boston in a referendum held on November 5, 1996. The Committee appoints a superintendent who serves as the chief executive officer of the Boston School Department. The superintendent is responsible for management and supervision of the public schools. The superintendent reports directly to the School Committee and also serves as a member of the Mayor's Cabi-

net. At each school, school-site councils have been established comprised of the building administrator who chairs the council, parents, teachers, representatives of collaborating institutions and, at the high school level, a student. Their role is to assist the principal or headmaster in decision-making processes.

The Goals

The FY97 and FY98 budgets build upon the four goals that will lead to improvements in education; expanding school-based services; upgrading the learning environment; expanding the use of technology; and strengthening curriculum and standards. These components represent a foundation for educational reform.

Goal 1:

Expanding School-Based Services

Many Boston children are currently attending after-school programs and activities, which provide tutoring, enrichment, and athletics in safe environments. This access enables schools to become both learning and stabilizing resources within the neighborhoods. Boston Community Centers (BCC), in partnership with the Boston Public Schools, serve 1,300 children and youth in tutorial programs at 19 community centers, providing academic tutoring at the elementary and middle school levels. BCC continue to implement the Safe Schools After-School Program at English High School/Community Center, serving in total over 500 youth, providing academic, social, recreational and cultural programs from the close of school until 6 p.m.. Youth Challenges, an inclusive after-school program for regular and special needs children, was established with a federal grant from the U.S. Department of Education.

The Boston Public Library (BPL) reaches out to children, assisting more than 43,000 elementary and secondary children with their school work, distributing applications for library cards to every Boston student, offering over 3,000 programs

to children and drawing a total attendance of more than 85,000.

Boston Community Centers' Saturday programs provide children with safe, secure environments to participate in weekend athletics, enrichment classes and educational services. Saturday morning programming was expanded to 3 more community centers - Orchard Park, Murphy School and West Roxbury Community Center, bringing the total to 18. Boston Community Centers created 104 new slots for 4 year olds either by expanding existing pre-school child care or establishing new programs. Seven new before school programs, serving 210 elementary school children, have been initiated.

At the same time across the city, athletic programs are more available to children and youth. The Draper Pool in West Roxbury, which was closed for a number of years is slated to reopen in FY97. The Mason Pool, previously open only summers will now be open year-round. Charlestown, West Roxbury and Madison Park Community Centers will offer year round tennis programming in cooperation with the Boston Tennis Council. Charlestown Community Center's domed tennis facility is scheduled to open in the Spring, 1997. In addition, the City of Boston, through its capital plan, is reconstructing tennis courts at English High School Community Center, followed by the Harborside Community Center in East Boston. It is projected that 2,000 youth will participate in low-cost tennis instruction and competitive programs.

Goal 2:

Upgrading the Learning Environment

Major improvements to Boston Public School facilities are underway, including improvements related to achieving high school accreditation, implementing the Blue Ribbon Commission Masterplan, upgrading and expanding the use of technology, and maintenance and general repairs.

Construction will be underway by April 30, 1997 on all three Early Education Cen-

ters: at Blue Hill Avenue and Quincy Street in Roxbury, at the currently closed Tileston School on Babson Street in Mattapan, and at the McKay School in East Boston. Since March, 1996, Boston High School, Brighton High School, Madison Park Technical Vocational High School, South Boston High School and Boston Latin Academy have had their accreditation status reaffirmed at, or upgraded to full accreditation. New state-of-the-art media centers, replacing old-style libraries, were built and dedicated at Madison Park Technical Vocational High School, Snowden International High School, Brighton High School, and Boston High School.

In October, 1996, 18 schools participated in Net Day, wiring their schools to the Internet. Another Net Day is planned in April, 1997 will involve 13 more schools. Net Day activities are designed to complement the technology upgrades and expansions envisioned under the LINC Technology Plan. The October Net Day resulted in donations of more than \$1.2 million dollars of equipment, in addition to major contributions of volunteer time and expertise. The Jeremiah E. Burke High School has been entirely upgraded technologically, with data wiring to each classroom, its administrative offices, guidance offices, and health suites.

This year, the BPS revamped the deployment and responsibilities of its custodial force, to promote improved access to school buildings and provide cleaner facilities. In addition, BPS facilities have received a wide range of general improvements, including repairs to the HVAC, exterior doors, windows, exterior waterproofing, elevator upgrades, interior painting, and roof replacements, to maintain an environment conducive to teaching and learning.

The Public Facilities Department's Schools Unit, the School Department's Capital Planning Office and Facilities Management Department, and the Office of Budget Management work collaboratively in order to oversee and manage school facilities projects, as well as plan for future school projects. The High School Accreditation Task Force contin-

ues to meet weekly and to monitor the progress of current accreditation projects, plan for new projects or personnel as the accrediting agency reports recommend, and proactively plan for the changing needs of high schools. The challenge will be prioritizing all facility projects, monitoring legal, budgetary and construction requirements, and keeping this an inclusive process.

Goal 3:

Expanding the Use of Technology

In June, 1996, the School Committee passed the LINC Technology plan. By the end of FY97, 31 schools will be wired to the Internet through the two Net Days. The Jeremiah E. Burke High School was the first Boston Public School to receive a total technological upgrade. In November, 1996, a project to link the BPS high school libraries with the Boston Public Library system was begun, affording students access to the vast wealth of information available at the BPL. During the same time major professional development efforts began for not only all librarians, but teachers, principals and headmasters, and secretaries. The BPS, working with the City, developed technology inventories and readiness surveys, which will be completed by all schools, assisting the BPS in its system-wide planning. The Net Day activities, the upgrade of the Burke High School, and the link-up between the Burke High School, the Shelburne Community Center, and the Dudley Library are all designed to complement the total technological upgrades envisioned under the LINC Technology Plan.

In April, 1997, Mayor Menino and Superintendent Payzant will launch Net Year, whereby all remaining BPS facilities and community centers will receive a starter network, to connect the library, the computer lab, 4-6 classrooms and the principal or headmasters office within twelve to eighteen months. Four more total technological upgrades are planned for East Boston High School, Hyde Park High School, South Boston High School, and Dorchester High School.

In order to keep the technology initiatives focused, a working group of dedicated professionals from across city departments meets weekly to plan the implementation of the starter networks as well as to work toward total implementation of the technological upgrades of the Boston Public Schools. The corporation 3COM has signed on to become a partner with the City of Boston and the Boston Public Schools in the networking effort, pledging \$1 million in assistance to bring to reality the goal of a total technological upgrade of the Boston Public Schools by the year 2001.

Goal 4:

Strengthening Curriculum and Standards

A five-year comprehensive plan, A Focus on Children, was completed and adopted by the School Committee in July, 1996. The Curriculum Planning Team is implementing the City-wide learning goals in English/Language Arts, Science, Mathematics and Social Studies. The goals in Social Studies are completed pending final decisions to be made by the Board of Education, regarding the Social Studies core curriculum. The team is currently working on completing goals in the areas of World Languages, Health, Arts and Physical Education during FY97. The process will not discontinue after the goals are established, but major subject areas will be reviewed and revised during consecutive years, to ensure continuous improvement.

The Curriculum Planning Team has four goals for FY97 to further strengthen the progress made in the area of curriculum. These goals include: creating greater understanding of the grade-level and subject-area expectations in the citywide learning standards; stimulating strategic reading, process writing, thoughtful discussions and critical inquiry in each subject area; employing student products, task descriptions, and student worksheets to develop and demonstrate essential skills and understandings included in the standards; and using task descriptions and exemplars to collaboratively score, discuss and analyze

students' work, and as an important tool in the planning process.

The BPS has been reviewing and refining the standards and assessments by which student performance is measured. During April, 1996, the Stanford 9 was administered system-wide in grades 3, 5, 6, 7, 9 and 11. The test incorporates the most current research on ways to engage students' higher order thinking skills in answering multiple choice questions, includes a performance-based component, and offers a reporting system that provides information about what children actually can do, not comparison with scores of other children in the same grade.

The School Committee further increased the number of grades being assessed system-wide to include administration of the Stanford 9 Open Ended Assessment in Reading to grades 1, 2, 5, 8, and 10 and to expand the administration of the Stanford 9 Multiple Choice in Reading and Mathematics from the current six grades to include grades 4, 8, and 10, resulting in multiple-choice testing in all grades 3-11.

Recently, the state announced a decision to require the administration of the Iowa Test of Basic Skills. The School Committee has reviewed its options, amending its current practices for grades 1, 3, and 10. In grade 1, assessment by the Stanford 9 will discontinue; in grade 3, the Iowa Basic Skills test in reading will be substituted for the Stanford 9 Multiple Choice Testing in reading; and in grade 10, the School Committee will seek a waiver from using the Iowa Basic Skills Test and use the Stanford 9 Battery Test in Reading, Mathematics, Science and Social Studies in addition to the Stanford Multiple choice in Reading and Mathematics. The Massachusetts Comprehensive Assessment System (MCAS) is being administered in grades 4, 8, and 10.

To access better system-wide information on the primary grades, a survey of current practices was administered at kindergarten through grade 2 to identify academic/pre-academic assessment practices that BPS teachers are currently using. At the same time, the BPS is ex-

panding the use of portfolio assessment system-wide.

ACCOMPLISHMENTS & NEW PROGRAMS

The Department

As of March 26, 1997, the Boston Public Schools had 63,976 students enrolled, including 1,073 special education students in day or residential private placement programs and 38 vocational/occupational education students in state-approved programs, a total increase of approximately 4,000 over the last five years. Using FY93 as the base year, there has been a 6.5% increase in enrollment.

The Department currently has 126 schools and programs, 76 kindergarten/elementary schools, 3 early learning centers, 19 middle schools, 15 high schools, 6 special school programs, and 7 pilot schools.

The Department seeks to ensure equal educational opportunities and prevent discrimination and inequalities based on racial, ethnic, socio-economic, gender, sexual orientation, or any other reasons. The student population is ethnically diverse. The current enrollment is 48.6% Black, 25.2% Hispanic, 16.6% White, 9.2% Asian, and less than 1% Native American.

Description of Services

Regular education programs are offered in grades 1 through 12, ranging from classical education, to technology, to international studies, to bilingual, to special education, to advanced work class, to remedial and alternative education programs, and to the kindergarten and early learning centers. In addition, adult basic education and evening high school programs are available for Boston's adult population.

The Department provides a multi-faceted array of educational services. Currently 60% of the students are in regular education programs, 17% in bilingual education programs, 9% in mainstream special education programs, 10% in substantially

separate special education programs, 2% in vocational education programs, and 2% in advanced work programs.

The Bilingual Education program offers English as a second language to those students not yet proficient in English. For nine language groups instruction is offered in most subject areas in the students' native language. Of the students in bilingual education programs, enrollments include 59% Spanish, 11% Haitian Creole, 8% Chinese, 8% Cape Verdean, 7% Cambodian, Laotian or Vietnamese, 5% Italian, Portuguese, Greek or multilingual in an English as a second language classes and 1.5% Somali. Currently, the Somali and Albanian populations are increasing. Bilingual education students are assessed and placed according to their English language proficiency. To increase interaction among regular education and bilingual education students, there are schools with "two-way" programs in English and Spanish. In addition, a number of schools have implemented their own more limited initiatives to promote interaction between bilingual and regular education students.

The majority of special education students in Boston schools (resource room students or program prototype 502.1-502.3) spend the greater part of their day mainstreamed in regular education programs. Apart from their regular education classroom they receive additional assistance in accordance with their individual education plans (IEPs). Substantially separate special education students (program prototype 502.4) attending Boston Schools spend the majority of their school day in substantially separate educational programs receiving educational services according to their IEPs. A number of schools are implementing instructional models which provide special education students with integrated learning opportunities. That is, students with severe special needs spend some portion of their school day with supports in a regular education class setting. Currently 1,073 special education students receive educational services outside the School Department in private day or residential

programs. The district strives to ensure that all special education students are educated in the least restrictive environment.

During the 1993-94 school year vocational and technical education was revitalized. The Madison Park Vocational/Technical High School now offers four academies representing three specific industry groupings and first year exploratory programs: Craft and Technical, Health and Human Services, and Commerce.

The range and scope of the support services made available to students over the past decade has changed and increased significantly. This expansion of student support is designed to better the system's capacity to address the changing needs of students. School medical services, psychological services, pupil adjustment counseling, guidance services, and support services are offered across the grade levels. In addition, collaborative arrangements with human services and community agencies supplement the support offered students and their families.

An array of physical education, intramural and interscholastic athletic programs are available to students in the Boston schools, including football, baseball, basketball, ice hockey, volleyball, softball, swimming, track (both indoor and outdoor), cross country, soccer, wrestling, tennis, golf, cheerleading and Special Olympics. Over the last several years, an effort was made to expand these programs through the provision of additional funding and the establishment of an Athletic Task Force, designed to support collaboration with the City's professional sports teams and university athletic departments.

FY97 Initiatives

There are eight major initiatives outlined in the BPS FY97 budget. In reviewing these initiatives it can be reported that the Department has had positive success in moving forward on all FY97 BPS initiatives.

FY98 Initiatives

The BPS FY98 budget identifies 11 major initiatives that reflect shared priorities to move the school system generally, and teaching and learning specifically, forward. Many of these initiatives are continuations of the current or prior year's initiatives. This does not mean that the school system is not moving forward, but rather that it is following through on multiple-year plans in order to bring about educational reforms, and, in many instances, is strengthening its commitment.

Pilot Schools

Pilot schools were developed through the last BPS/BTU collective bargaining contract. Pilot schools, also known as in-district charter schools, are established through proposals submitted in a Requests for Proposals process, in which at least one of the individuals submitting the proposal is a BPS staff member. The pilot schools are free from the union contract and School Committee rules and regulations. In school year 1996-97, there are seven pilot schools, the Fenway Middle College Pilot School, the Young Achievers Science and Mathematics Pilot School, the Lyndon Pilot School, the Downtown Evening Academy Pilot School, the Boston Health Careers Academy Pilot School, Greater Egelston Pilot School and the Multicultural Middle Pilot School educating a total of 1,103 students.

There will be a projected 1,641 students being educated in Boston's pilot schools during school year 1997-98. In addition to the current pilot schools, the Boston School Committee has also approved two new pilot schools to open in September, 1997, the Boston Arts Academy and Boston New School. The budget for each pilot school is based on the average per pupil cost by student category (regular education, bilingual education, vocational education or special education; special education is further subdivided by student prototypes.) The per pupil cost allocated to the pilot schools includes all instructional, administrative and support services costs except for transportation

FY97 INITIATIVE	STATUS
Introduce curriculum frameworks and establish standards to measure student performance.	Learning Goals defined for Reading/Language Arts, Mathematics, Science, and Social Studies
Measure progress in meeting standards.	Stanford 9 Achievement Test administered to grades 3, 5, 6, 7, 9, 11; Spring 1997 expand to include testing grades in grades 2 to 11.
Implement year 1 of the plan for conversion to full day kindergarten for five year olds.	50 Extended Day Kindergartens converted.
Implement the necessary changes or improvements to retain or gain accreditation status for all high schools.	Commitments implemented and five high schools have accreditation status reaffirmed at or upgraded to full accreditation.
Maximize the textbook and instructional materials purchasing power of schools.	Second year of reading textbooks centrally funded and full cost of Algebra Initiative materials fully absorbed
Maintain and expand Boston's commitment to school-to-career program.	School-to-Career program expanded to all high schools and pilot program at the middle schools.
Coordinate and develop an instructional technology program within the overall citywide effort on technology and facilities.	5 Year Technology Plan approved by School Committee; 18 schools participate on October Net Day, \$1.2M in support received and Jeremiah E. Burke receives total technology upgrade.
Expand the Pilot School Initiative in the Boston Public Schools	1,103 students/ seven pilot schools
FY98 INITIATIVE	STATUS
Complete curriculum frameworks and establish grade-level and subject-area standards to measure student performance.	Define remaining learning goals and introduce specific grade-level and subject-area expectations.
Measure progress in meeting standards.	Implement and continue to refine assessment instrument to an expanded number of grades as well as continue to expand use of alternative performance measures.
Implement the necessary changes or improvements to retain or gain accreditation status for all high schools.	Implement commitments made in May, 1995 Accreditation Report and address in a timely manner accreditation issues as they are reported by the N.E.A.S.C.
Purchase textbooks accordingly as curriculum frameworks are introduced.	Fund the 3rd year of the reading textbooks and the first year of the K-8 mathematics textbooks
Maintain the general fund commitment to the school-to-career program, while seeking alternative sources of funding to expand the program.	Fund \$1M from the general fund budget.
Implement year 2 of the plan for conversion to full day kindergarten for five year olds.	Convert existing kindergarten 1 programs to 35 extended day kindergarten 2 programs.
Implement the LINC Technology Plan.	Fund the full general fund commitment to technology
Expand the Pilot School Initiative in the Boston Public Schools.	Increase the number of students at the pilot schools and plan to open the Quincy Upper School and the Expeditionary Learning Pilot School in FY99.
Implement the professional development initiatives that support whole school change.	Support the lead/mentor teacher programs and other professional development activities.
Implement the Exam School Admissions Task Force Recommendations.	Create additional advanced work classes, expand the after-school and summer school programs to provide academic support for the 4th, 5th, and 6th graders
Implement the Read Boston Program, which commits to having every child read on grade level by the end of third grade.	Allocate Title I funds, \$17M to support school-wide projects focusing on remediation and improvement in reading and literacy.

and the cost of educating private placement students. The per pupil cost of pilot schools students is part of the BPS budget. A formal pilot school evaluation report will be published in August, 1997, that will support the dissemination of successful pilot models to other schools as well as evaluate the pilot schools' performance.

FINANCING

The Budget Process

The annual Boston Public Schools budget is the financial outline of the school system's educational programs, services and operations for the fiscal year. The budget is developed in accordance with the goals and objectives approved by the

School Committee and is based on what the Superintendent, staff and community want the public schools to accomplish during the fiscal year. The budget serves as an operational plan, stated in financial terms, for carrying out the goals of the school system.

The public school budget is developed under the following statutory schedule:

The Superintendent shall submit to the School Committee an annual budget for the next fiscal year by the first Wednesday in February.

The School Committee shall submit to the Mayor estimates of next fiscal year's budget by the fourth Wednesday in February.

The School Committee may adopt, reject, reduce or increase any item in the Superintendent's recommended budget. If the School Committee fails to take action on the Superintendent's recommended budget by the fourth Wednesday in March, the budget recommended by the Superintendent shall be deemed as if approved by the School Committee.

After approval of the next fiscal year's budget, the Superintendent shall submit the budget to the Mayor who may approve or reduce the total recommended budget, but who may not allocate among expenditures.

The Mayor must submit the school budget to the City Council for appropriation by the second Wednesday in May. The City Council shall vote on the total amount of the appropriation requested by the Mayor. The City Council shall not allocate the appropriation among expenditures.

The FY98 BPS Budget

The FY98 BPS budget builds on the changes begun in FY97. It is clearly focused on improving teaching and learning for all students, concentrating resources at the schools in order to implement citywide learning standards and whole school change. The FY98 budget is built on shared educational priorities:

- *Curriculum Standards & Frameworks*

- *Student Assessment*
- *High School Accreditation*
- *Textbooks and Instructional Materials*
- *School-to-Career Program*
- *Full Day Kindergarten for Five-Year-Olds*
- *Technology Plan*
- *Pilot Schools*
- *Professional Development*
- *Exam School Admissions Task Force Recommendations*
- *Literacy*

The BPS budgetary decisions are driven by the following factors: providing sufficient funding to meet instructional needs of a growing student population; continuing with the second year of implementation of A Focus on Children; covering recurring fixed costs at their full value, and applying appropriate inflationary factors to those items of expenditure that are subject to specific regulatory and/or contractual requirements; holding to careful, realistic budget estimates based on rigorous data analysis and management controls; and identifying savings based on more cost-effective approaches to program implementation and areas of lower priority.

In an effort to ensure equitable distribution of resources to all students, the Superintendent has carefully reviewed the program areas and found special education spending for substantially separate special education students has reached 21% of the budget, while the population is 10% of the total student enrollment. The Superintendent assembled a team with the charge of maintaining the commitment to the inclusion effort without sacrificing program quality and/or regulatory compliance, while aiming at more equitable distribution of all resources. His team put forth \$6 million in potential cost savings in the special education area; the School Committee has approved \$3.5 million.

Concurrently, a joint state legislative commission has been established to investigate special education issues. Their investigation and study shall include a comparative analysis of the number of children receiving special education, the

costs of the programs in Massachusetts and other states, current transportation services for special education children as well as alternatives available to reduce costs, and to increase coordination among districts for the provision of higher quality cost-effective services, among others. The Massachusetts Association of School Superintendents has released a Report on the Impact of Special Education on Educational Reform recommending adopting the federal standard for special education, providing a definition of effective progress and common definitions of disabilities, and adopting any federal changes in the area of discipline when they occur. On March 19, 1997, a coalition of groups from teachers to special education advocates came together and announced that agreement had been reached on a number of special education issues, with financial and legal impact. In order to change the special education law, Chapter 766, it will require a legislative amendment. It is not yet clear if the legislature wishes to amend this law or if they do, if they will act in time for it to affect the FY98 school year.

The Boston School Committee passed a \$491.5 million FY98 budget on March 25, 1997, and the Superintendent forwarded the request to Mayor Menino. The School Committee request funds the growth in enrollment, inflationary increases in fixed cost and contractual requirements, continues with the second year of the implementation of A Focus on Children, provides the full commitment to technology and two new pilot schools, the Boston Arts Academy and the Boston New School, and restores student support coordinator positions.

External Funds

Overall, the BPS is projected to receive \$68.7 million in External Funds in FY98. The BPS receives external funds through formula grants, competitive grants, and reimbursement programs. This funding is projected to increase by \$0.9 million or 1.3% from FY97 to FY98. External funds account for 12.3% of the BPS total budget. Final decisions on FY98 federal programs are not made. The fate of the FY98

state education grants is still unresolved. The Governor's FY98 state budget combines many of the educational grants into a single block grant. Projected increases in programs, such as Title I, will be used to increase the numbers of schools funded from 78 to 113 and sharpen the focus of the program on teaching and learning by restricting pullout programs, emphasizing early literacy and encouraging remedial instruction outside regular school hours to ensure remedial instruction is in addition to classroom instruction rather than replacing it. Use of other funding such as Goals 2000, Title II and Title VI, will be coordinated with Annenberg Foundation and Boston Plan for Excellence funding to ensure equity among schools for professional development and to ensure higher learning for all students. The fate of these grants and the programs they support will not be known for several months.

Capital Improvements

A major focus of the 1998-2002 Capital Plan is to ensure Boston's educational facilities are equipped to meet the needs of the City's families. As a result, over \$225 million is budgeted for School facilities in the capital plan. In FY98, \$81.2 million in new authorization will be requested for department needs, including technology enhancement, accreditation, and general improvements. Ongoing planning efforts, based on the master plan developed by the Community Learning Centers Blue Ribbon Commission, continues to meet high school accreditation needs, the requirements of the Education Reform Act of 1993 and the LINC Boston Plan.

Since 1994, capital expenditures for school projects increased from \$11.3 million to \$32.6 million in FY96. Extensive renovations to school facilities are constantly underway throughout the City's neighborhoods, including new roofs or major repairs at 31 schools, masonry work and new or repaired windows at 32 schools and new science labs at five schools.

Capital investment in high schools has resulted in all schools either maintaining

or improving their accreditation status in the last year. South Boston High School, Madison Park Technical Vocational School and Boston Latin Academy were granted full accreditation. Brighton High School improved its standing to full accreditation after the completion of a new \$660,000 library/media center last fall. Most recently, Boston High School was notified that its probationary status was upgraded to full accreditation due to significant gains in facilities, library technology and media services.

In an effort to build on these successes, the City will undertake total renovations to East Boston High School and Hyde Park High School. At East Boston High School, the project includes construction of a new gym and cafeteria, expansion of the library and media center, mechanical and life safety system upgrades, and the implementation of a comprehensive technology plan. Similar improvements are planned at Hyde Park High School. Together, these two projects represent an investment of \$50 million.

Finally, construction on the three new Early Education Centers is underway. The three schools will each accommodate 300 students. Construction on all three schools will be completed by the start of school year 1998-1999.

School Building Assistance

The state's School Building Assistance (SBA) program, managed by the Department of Education, is designed to assist cities and towns in building new schools or in renovating existing ones. The program is divided into two classes of projects: capital construction and major reconstruction. Capital construction includes new construction, building additions, and substantial renovations to existing schools. Major reconstruction includes projects that are typically a single trade such as a roof replacement or covers a type of improvement such as handicapped accessibility.

Major reconstruction projects are funded on a first in, first out basis based on the date of application. State funding for this program has not kept pace with project

demand and a significant backlog and waiting list now exists (the state is currently funding FY87 requests). Today, cities and towns wait several years before receiving the first reimbursement payment.

Capital construction projects are prioritized into three categories. Category 1 projects support and promote racial balance plans; Category 2 projects address overcrowding and increasing enrollment; Category 3 projects address significant other needs. Each category is further prioritized by criteria including the existence of dual issues (i.e. racial imbalance and overcrowding), and the loss or potential loss of accreditation.

The City's eligible projects fall into either Category 1 of the Capital Construction program or into the Major Reconstruction program. In either case, since the school system operates under a voluntary racial balance plan, 90% of a project's cost is eligible for reimbursement. While it is necessary to maintain school facilities, many of the City's proposed capital improvement projects discussed in the previous section are not eligible for reimbursement under the state's program. The scope and cost of these projects typically fall between the State's two project classifications; they are less than total renovations of existing schools, but they involve more than a single trade.

In June, 1996, the City submitted three SBA applications for the construction of new Early Education Centers (EECs) in Roxbury, Mattapan and East Boston. In January, 1997, the City was notified that the three EECs were placed on a priority funding list and are eligible to receive 90% reimbursement from the state. Within Category 1, there are ten projects waiting for future funding. The Governor's proposed FY98 budget will fund the first three projects on the list. Boston's projects rank seventh, eighth, and ninth. In addition to the projects already on the priority list, the City intends to submit two new applications June 1, 1997 to the DOE for the East Boston High School and Hyde Park High School projects. It is anticipated that both of these

projects will be eligible for 90% reimbursement.

Private Partnerships

It is an important goal of the School Department that by the conclusion of school year 1998-99 each school has established a partnership with not only a college/university, but also with a business/foundation, arts/cultural organization and health/human services provider. According to the annual report of the Boston Higher Education Partnership, 101 Boston public schools are in partnership with 27 colleges or universities. The department receives \$15.6 million from colleges or universities in in-kind contributions, grants, scholarships and pro bono assistance. Combined data from the Private Industry Council, Boston Plan for Excellence, and School to Career Office report that there are 65 schools with formal business partnerships, as well as 700 businesses involved in the summer jobs initiative, school to career, and the other school-business programs. The Department receives \$11.1 million from businesses in in-kind assistance. In addition to colleges/universities and business partnerships, the School Department is also striving to strengthen the school's partnerships with arts/cultural institutions and health/human services providers. Schools are partnered with the major museums, the Boston Ballet, the Boston Symphony, the Cultural Collaborative, the major hospitals, the health centers and the social service providers, among others. As part of the reorganization of the department, the Superintendent has established the Development Office, which will be responsible for developing new resources, grants and gift opportunities for the BPS, while continuing to work with the Boston Compact to increase and strengthen the collaborative framework for the partnership program.

Projected Enrollment

Enrollment drives staffing and staffing drives the budget. FY97 aggregate enrollment was within 0.4% of projection, however during the year there were

programmatic changes due to class size and programmatic adjustments around special education and bilingual education. As a result, FY98 enrollment projections have been further refined to take into account the changing patterns of student assignment during the year. The FY98 projected enrollment is 64,025. This is an increase of 1,045 (FTEs) or 1.7% over actual December, 1996 enrollment. This projected enrollment includes the second year of the plan for conversion to full day kindergarten for five year olds. Actual enrollment (headcount) increases by 1,503. Actual enrollment of BPS students has increased between FY93 and FY98 by 4,879 students or 8.2% over five years (December enrollments). These enrollment numbers do not include the approximately 840 private placement students, for which the Boston Public Schools are financially responsible. (Figure 1.)

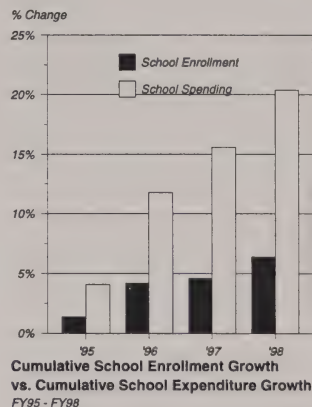


Figure 1

The FY97 BPS Budget

The FY97 BPS budget is \$471.8 million, an increase of \$15.6 million or 3.4% over the FY96 budget. The total city budget increased by 3.5% in FY97, adjusting for the

Boston Public Health Commission. As of July 1, 1996, the FY97 budget was projected to support 62,746 students and 7,524.0 staff positions. The BPS School Committee passed a \$468.9 million FY97 budget on March 20, 1996, and the Superintendent forwarded this request to the Mayor. The original request increased due to supplemental appropriations for the cost of collective bargaining that were passed for bus drivers and custodians after the original submission.

During FY97 the BPS has faced projected expenditures above FY97 appropriation in salaries and benefits, facilities and property services and purchased services. In order to control spending, specific actions were instituted including, freezing unfilled non-school based positions, reviewing decisions on filling all vacancies, freezing overtime authorizations, reducing central administration expenditures, among others. At this time, expenditures are still projected to exceed appropriations by \$3.5 million, for increases over projected enrollment, variances in programmatic areas, and mid-year adjustments necessary to accommodate new referrals of special education students. The School Committee voted a \$3.5 million supplemental appropriation request on March 25, 1997, and it will be filed with the City Council. In addition, a supplemental appropriation request for collective bargaining purposes for \$12,129 was passed by the School Committee to fund year one of the agreement with plant administrators. It, also, will be filed with the City Council.

Chapter 70 Aid

The Education Reform Act of 1993 is a multi-year commitment to increase and equalize funding for local education. Since the FY94 state budget, the Education Reform Act's financing formula has affected the amount of education aid the City has received. Education Reform Act has also required the City to spend at or above the education maintenance of effort, which it has done. The City of Boston received \$66.6 million in FY94, \$81.6 million in FY95, \$92.1 million in FY96, \$115.5 million and nearly \$144.7 million

is proposed in the Governor's FY98 budget (House 1). Between FY94 and FY98, the City received an increase of \$78.0 million in Education Aid before charter school reductions as compared to the \$83.4 million by which the City has increased the School Department budget in the same time period. The City receives education aid as part of its total state aid and it is directly passed to the City's general fund. As a source of revenue, the Governor's proposed Education Aid to Boston after it has been reduced by charter school tuition costs represents only 26.4% of the total funding for the proposed FY98 BPS budget. The state reduces the City's education aid by the total amount of charter school costs. In FY98, the City's education aid will be reduced by approximately \$14.8 million. The reductions occur quarterly. (Figure 2.)

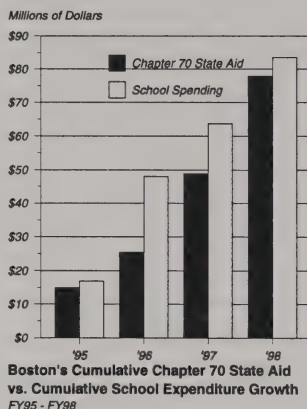


Figure 2

Charter Schools

In accordance with the Education Reform Act of 1993, four charter schools opened in the City of Boston in September, 1995. These were the Renaissance Charter School, City on a Hill Charter School, YouthBuild Charter School, and the Neighborhood House Charter School.

During school year 1996-97 1,411 children attend the charter schools, funded by the City of Boston through deductions to its Chapter 70 Aid. In September, 1997, the Academy of the Pacific Rim Charter School will open. This additional charter school and the increase in enrollment in the existing charter schools will bring the total number of children attending charter schools to approximately 1,818. Boston paid in tuition and transportation to the charter schools approximately \$6 million in FY96, \$10.9 million in FY97 and a projected \$14.8 million in FY98. The charter school cost is absorbed by the City and is not reduced from the BPS budget. The Education Reform Act caps the number of charter schools statewide at twenty-five and the number of charter schools in Boston at five. The Governor's FY98 state budget proposes to uncap the total number of charter schools and not limit the number of charter schools in Boston.

Charter schools are public schools operated under a charter granted by the Secre-

tary of Education, which operate independently of any school committee and are managed by the board of trustees of the charter school. A charter is granted for five years and is renewable. Any educational assessment of the charter schools is done by the state. Charter schools must comply with state regulations on testing and assessments. All charter schools will be required to measure their progress against the goals set under their charter and make a formal annual report. In addition, there will be site visits to assess each charter school's progress.

Educational excellence and innovation has always been lauded by the City. Equally important is that parents have a chance to assess the charter school model, that all students be given fair and equal access to charter schools, that the cost of charter schools reflect the program and prototype of its students, and that charter schools be mindful of compliance guidelines.

FY98 Budget and Performance Goals



The FY98 Budget and Performance Goals Process

Introduction

High performance, customer satisfaction, and government responsiveness are the cornerstones of Mayor Menino's government. Over the past four years, City government has been substantially redesigned to encourage results and outcomes, and to provide Boston residents with high quality, cost effective service. A focal point of this redesign has been to ensure that all changes direct scarce resources to serve people instead of to maintain the bureaucracy. Managing in this context requires budgeting and information systems that enable the City to set clear goals, and evaluate the results of those goals.

Thus, goal setting, performance measurement, and program evaluation remain ongoing and evolving activities of the City of Boston. Since 1988, the City has been refining how the impact of its work is measured. This continual fine-tuning is evident in:

- the emphasis on measuring outcomes—that is, the benefits that departments provide to residents and visitors
- the successful integration of the goal-setting, budgeting, and performance reporting processes
- the compilation of performance data for 200 programs across 52 City departments

Outcome Measures

Over the past four years, the focus of performance measurement has shifted steadily away from tracking department operations as measured by inputs, outputs, and workload indicators, toward assessing the impact of City programs on the quality of life in Boston as measured by outcome indicators. Street cleaning provides an example of this shift. As Figure 1 shows, measurement has evolved from counting the number of street cleaning machines (an input), to adding the amount of debris removed from streets (an output), and finally to measuring the cleanliness of streets (an outcome). While input/output and workload measures are important indicators of efficiency and continue to be tracked, what

ultimately determines success for the street cleaning program is, not surprisingly, the cleanliness of City streets. (Figure 1.)

**Performance Measures Evolution:
Street Cleaning, FY88-FY97**

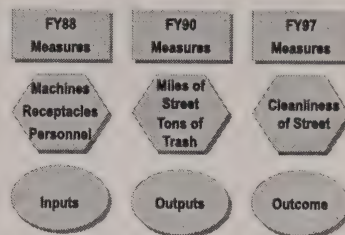


Figure 1

The FY98 budget reflects Boston's increasing emphasis on outcome measures. The current package of performance measures provides information on the method and quality of City services, including customer satisfaction, the condition of facilities, and the time required to respond to requests or emergencies. Since the inception of performance measurement in Boston, the total number of performance measures has actually declined, but the growth in outcome indicators has made the remaining measures more relevant. (Figure 2.)

Because service quality is often difficult to quantify, choosing the proper indicator is important. Measures to judge performance are arrived at through discussions with departments. Then the departments work with the Office of Budget Management, which monitors performance and expenditures for all departments that receive budget resources. This monitoring function requires constant communication from the departments, and relies on departments to report their performance accurately and consistently.

**Total Performance Measures:
FY88-FY97**

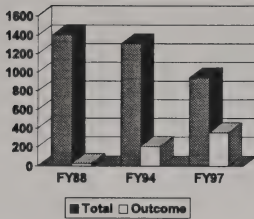


Figure 2

Budget Preparation

The FY98 budget integrates the previously distinct but coordinated goal setting, program budgeting, and performance reporting processes into a single annual cycle that significantly improves the link between service outcomes and costs. (Figure 3.)

Integrating Performance with the Budget Process

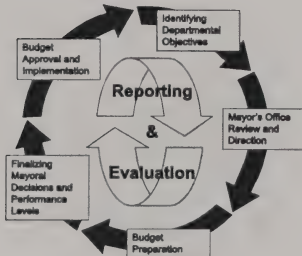


Figure 3

The cycle begins with the identification of clear departmental objectives. The Office of Budget Management works with each department to set clear performance goals for the upcoming fiscal year. These goals should be relevant to the department's mission and reasonable in terms of attainment, but still challenging to achieve. For each objective the department must identify at least one key measure of success.

Departments must prepare budgets within the targets established to accomplish the specifically identified departmental outcomes and goals. Department managers must determine what level of service can be supported with the resources provided, whether two or ten special events can be supported, for example.

Based on historical information, departments define baselines, identify service trends and set specific measurable levels to be accomplished. This process includes adjusting amounts budgeted for programs, redesigning processes to increase productivity, or increasing or decreasing programs to adapt to the new priorities.

Specific management goals of decreased abuse of absenteeism, increased percentage of vendor payments processed within twenty days of invoice date, and decreased number of days lost to on-the-job injuries are integrated into the performance measures for each department.

With the information on trends in services, resources, and Mayoral initiatives, changes to target budgets are prepared for final Mayoral approval. By developing decision packages or service bundles, the department answers the question of what services can be bought for what amount of money. Resources must then be allocated among competing priorities in an effort to maximize the desired outcomes.

Budget Approval

The performance-based budgets, including detailed City-wide and departmental objectives and outcomes, are presented to the City Council for approval. With the

Key Goals for Cabinets

Example: To promote Boston as a vibrant city in which to live, work, visit, and play, and to coordinate the efforts to attract and host events adding to the quality of life.

Identifying Objectives

Example: To develop a "one-stop" special events logistics center to ensure all permits are in place and services are coordinated.

Identifying an Outcome Measure

Example: All permits in place within 30 days prior to an event.

Department Monthly Reports and Mayor's Office Review of Outcomes

Example:

	Level Promised	Level Achieved
Permits in place within 30 days	100%	95%

approval of the budget by the City Council, the Mayor has committed to provide to the citizens of Boston an effectively funded scope of services.

Accountability for Performance

Upon City Council approval, budget implementation follows. At this point, reporting and evaluation play a key role. Monitoring department progress toward goals stated in the budget takes place throughout the fiscal year via the monthly Management Information Reports to ensure accountability for performance. The cycle ends with the Office of Budget Management reviewing reported performance data from the most recent year with each department to determine whether and how goals should be modified for the upcoming fiscal year. New or existing goals are then put into place, and the entire process begins again.

Managing the data effectively requires significant cooperation, effort, and oversight. It also requires an information infrastructure to support the gathering, analysis, and sharing of information that is essential to this process. For development of the FY98 budget, the Office of Budget Management delivered an integrated budgeting database application to all City departments. Following full development of this system in FY99, City departments will be able to conduct all budgeting and performance monitoring

functions such as variance analysis online.

Boston's emphasis on performance measurement is beginning to pay off and has gained recognition in both financial and professional circles. Good management information has helped the City:

- *achieve the highest credit rating in its history*
- *obtain nine GFOA Distinguished Budget Presentation Awards*
- *rank as the nation's Sixth Best-Managed City in Financial World Magazine's State of the Cities survey*
- *gain recognition by GASB/GFOA and Vice President Al Gore's National Performance Review as a leader in performance measurement.*

Summary

Providing effective and efficient government is the foundation of Mayor Menino's agenda. The bricks and mortar of this effort are the budgeting and performance goals system implemented to develop the FY98 operating budget. The system requires both the capacity to collect data and to identify performance measures that will be useful and relevant. As the most useful performance indicators are often the most difficult to measure, the City will continue to improve its techniques for evaluation. The ultimate test is the ability to use these indicators to improve the quality and delivery of services to Boston residents.



Financial Management



Financial Management of the City

Managing the City's finances is both a strategic and operational challenge. Strategically the finances must be managed to accommodate fluctuations in the economy and resultant changes in revenues. Operationally the financial management of the City means having clear financial goals, policies, and structures to implement the strategic direction.

Over the previous eleven years, the City's management of its finances has resulted in an upward trend in general fund equity, interrupted only by dramatic state aid reductions in FY91 and FY92, and in FY96 as the City adjusted its books for the merger of its two public hospitals with a private hospital to form a new private entity. (Figure 1.) It is expected that the latter event improves the City's future financial outlook by shielding the City from the likely hospital subsidies which that would have been required without the merger. Below are descriptions of some of the financial management tools the City has utilized to achieve the positive results.

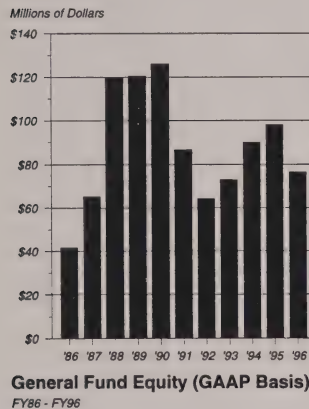


Figure 1

Strategic Financial Management

Maintaining a healthy financial base that supports City services according to mayoral priorities requires constant vigilance.

This work is reflected in balanced budgets, restructuring and reshaping City services, new financial management systems, aggressive efforts to secure sound recurring revenues, and responsible spending reductions in light of revenue cuts. Effective planning for the future means that Boston must affirmatively tackle the financial challenges ahead.

The City's revenue growth has been stable since FY94. Consequently, Boston has been and continues to be in a solid position to act affirmatively to control its financial prospects. Due to shifts that can quickly occur, whether it be in state policy or regional economy, the City remains alert to potential reversals in its fiscal prospects. Consequently, the City is taking aggressive steps to maintain fiscal health in the years ahead.

Manage even better and smarter. To meet this goal the City must:

- Ensure that it has skilled managers to lead and supervise the workforce;
- Work with City labor unions to ensure labor agreements that reflect 21st century workplace realities; and
- Use technology strategically to reduce costs and improve services.

Rethink, reorganize and consolidate City government. Implementation of the cabinet structure was a first step in reshaping City government to reflect the real needs of our businesses and citizens. The next step in this process requires each cabinet officer to find better, less expensive ways to meet these needs. Several specific initiatives are already in place.

- Procurement specifications for financial and management systems for the City of Boston and the Boston Public Schools.
- Implementation of client/server technology Citywide and a Wide Area Network (WAN) at City Hall.

Maintain Boston's physical infrastructure and expand capital investment in areas that improve operational efficiency. Schools, libraries, and fire stations stabilize and anchor residential neighborhoods. Additional capital investment strengthens these anchors. But capital investment can also be a vehicle for

improved service delivery efficiency, while reducing demands on the operating budget. For this reason the City is also assessing its technology needs and investments in technology as a means of improving operating efficiency.

Think more strategically about Boston's role in economic development. The City must determine the best way to encourage the businesses and jobs that enhance Boston's economic vitality. To that end, the Mayor is currently working with the Governor and the state legislature to move forward on plans for a new convention center in Boston.

Diversify the City's revenue stream. Eighty-one percent of total revenue comes from just two sources—the property tax and the Commonwealth. Both of these revenues are strictly controlled by state law and legislative action.

Achieve a more rational separation of state and municipal obligations. Local policy judgments, rather than state mandates, must drive financial decisions. The City's disproportionate share of Suffolk County corrections costs, and the cost of state mandated charter schools are two clear examples of vulnerability to state mandates that do not necessarily reflect local priorities or ability to pay.

These six items—smarter management, consolidated City government, investment in infrastructure, a strategic economic development plan, a more diversified revenue base, and fewer state mandates—are prerequisites to the City's future financial health.

Financial Operations

This section summarizes the City's financial management operations by describing the offices and systems that implement the strategy, reviewing the City's capital borrowing, debt, and pension management systems, and summarizing key management initiatives.

Responsible Officials and Agencies

Boston's financial operations are ultimately directed by the Mayor. The Mayor is the chief executive officer of the City and has general supervision of and control over the boards, commissions, officers, and departments of the City. The City's Chief Operating Officer directs administrative services and labor relations. City budget appropriations for all departments and operations of the City and Suffolk County, except the School Department and the county courts, are prepared by the Office of Budget Management, under the direction of the Chief Financial Officer.

Six other departments which are included in the Chief Financial Officer's Cabinet have major roles in the City's financial structure.

The Chief Financial Officer serves as the City's Collector-Treasurer. The Treasury Department collects revenues due to the City and Suffolk County, and pays all amounts due for payrolls and to outside vendors. The Collector-Treasurer also manages the investment of City funds, and supervises borrowings by the City in the form of either short-term or long-term debt.

The Auditor monitors internal controls, manages grant funds, provides financial reports, maintains books and records of the City and County, and approves all payments made by the City and County. The Auditor is an ex-officio member of the State-Boston Retirement Board.

The Commissioner of Assessing supervises the Assessing Department and the valuation, for tax levy purposes, of real and personal property located in the City.

The Office of Budget Management also prepares and monitors the City's capital plan and coordinates the long-range capital planning activities of City, County, and School departments.

The retirement and workers' compensation systems are overseen within the Finance cabinet through the Retirement

Board and the Workers' Compensation Office.

Two decision-making bodies also fill prominent roles in the City's budget process. The legislative body of the City is the City Council, which consists of 13 members serving two-year terms. Four are elected at-large and nine are elected from geographic districts. The Council may enact ordinances and adopt orders which the Mayor may either approve or veto. Except for orders borrowing or appropriating money, the Council may override a mayoral veto by a two-thirds vote. The Council may reject or reduce a budget submitted to it by the Mayor, but may not increase it. For a description of the operating budget process see "Budget and Performance Goals" and "Budget Organization and Glossary."

The City's public schools are under the control of the School Committee which, is appointed by the Mayor. The School Department operating budget is submitted to the Mayor and City Council as part of a budget process parallel to, but separate from, the City and County.

Until FY91, the School Department regularly incurred operating deficits. Chapter 613 of 1987 placed stricter controls on the School Department's appropriation process, in an attempt to limit the potential for overexpenditure, and strengthened the powers of the Superintendent vis-a-vis the School Committee. The Department, however, continued to deficit-spend. As a result the City needed to ensure that other City spending remained below available revenues in order to offset the School Department deficits. These annual School Department deficits continued through FY90, ending only with the creation of an appointed School Committee accountable to the Mayor.

Financial Administration

The City has established a system of internal management controls. These controls are designed to maximize revenue collections, monitor operating and capital spending, evaluate infrastructure needs, and professionalize the City's internal procedures. Major components of the City's

system of financial management controls include:

Capital Planning: The Office of Budget Management's capital planning unit is responsible for managing the capital budget of the City. OBM is responsible for the significant increase in the level of infrastructure investment, resulting in the protection and preservation of the City's capital assets and the creation of jobs in the construction sector. OBM's mission is to evaluate the condition of the City's capital stock, forecast the timing and financial requirements of new construction and rehabilitation, and recommend allocation of current and future resources to meet the City's infrastructure and capital requirements. Resource availability and capital needs are assessed frequently and appropriate planning responses are taken.

OBM evaluates and refines the relationship between the City's capital needs and resources as the City moves through each fiscal year; this process is documented by an annually updated five-year capital plan. In April 1997, Mayor Menino released the capital plan, "Boston's Five-Year Capital Plan 1998-2002: Getting the Job Done." The plan details a nearly \$1.25 billion capital plan through FY2002 and reflects the administration's commitment to comprehensive planning and investment by spotlighting projects ranging from future economic development projects to strategies for neighborhood revitalization.

In addition to its planning functions, OBM also plays an ongoing project oversight and supervisory role during the implementation phase of its capital projects. The capital planning unit reviews and approves all capital contracts and monitors project costs and schedules to ensure the adequacy of available funding sources.

Program-Based Budgeting: Since FY88 the City of Boston has maintained a program-based budgeting system to track expenditures and service levels by major functions or "programs." This budgeting system complies with the standards of the Government Finance Officers Association, which has consistently recognized

the City's efforts with its Distinguished Budget Presentation Award.

The City has built on this base of budget and performance information to design a system of departmental accountability for service outcomes; that is, making sure services are delivered at the level expected, with a focus on customer satisfaction and service efficiency. OBM plays a central role in the collection and analysis of performance data, ensures proper documentation of results, and assists departments to pursue opportunities for improvements. All financial commitments by departments are first reviewed by OBM for conformance with service priorities and funding availability.

Debt Management: The Treasury Department manages all City borrowings. The Treasury Department has focused on the timing of borrowings to take advantage of favorable market conditions and has carefully managed the City's cash flows to help obviate the need for short-term borrowings. The Treasury Department has established a series of debt management guidelines which direct the City's approach toward its debt management activities. The guidelines set forth the City's management approaches toward rapidity of debt repayment, the use of a debt capacity model for establishing debt affordability, limitations on the level of variable rate debt the City will employ, target savings for refundings, and reporting and liaison with the financial community and the rating agencies.

The City uses a comprehensive, interactive Debt Capacity Model. This analytical tool assists City debt management administrators in evaluating the potential impact of debt issues on cash flow, credit and statutory debt capacity. The City's debt burden (net direct debt to assessed property value of \$29.37 billion) is currently 1.48%. The City's net direct debt per capita is \$795.25 as of June 30, 1996.

Two mainstays of the City's positive debt service position have been the relative stability of the total debt outstanding and the rapid retirement of debt. The City's total debt outstanding throughout the last decade has generally remained in

the \$500 million to \$600 million range, and in any given year during that period at least 40 percent of principal outstanding has been scheduled to be retired in five years, and 70 percent in ten years.

Other factors have contributed to this favorable debt position in the recent past. First, the City took maximum advantage of recent low interest rates and did a large refunding of City debt in February, 1993 and February, 1994, as well as refunding of hospital debt in June, 1993. Second, the City slowed down the rate of capital expenditures in response to reductions in local aid in FY90-92, without making the fundamental error of abandoning capital spending altogether and thereby allowing the infrastructure to deteriorate. Third, in spite of the recent recession and two straight budgets with reduced revenue, the City maintained its improved bond rating and thus maintained the City's image in the capital markets. Fourth, the City has managed its cash flow such that short-term borrowings were not needed in each of the last nine fiscal years. This has been possible mainly because of the switchover to quarterly billing for property tax and quarterly distribution of local aid.

Commercial Paper: The City proposes to create a commercial paper program (CP) that will provide several benefits including: improved cash management, preservation of investment income, and flexible funding of the Capital Fund and equipment acquisition program. Currently, the General Fund covers the advance cash needs of the Capital Fund and is replenished from the proceeds of future bond issues. Moving cash from the General Fund to the Capital Fund reduces the funds available to generate investment income. The proposed change in policy will fund the cash needs of the Capital Fund with commercial paper at attractive rates while at the same time allow General Fund revenues to continue earning investment income.

The CP program will create two tracks: one track will provide funds for certain school improvement projects that are eligible for State reimbursement under the School Building Assistance (SBA) pro-

gram. The FY98-FY02 capital plan includes more than \$90 million in SBA eligible projects that will be completed in the next five years. The City's projects are eligible for 90% reimbursement including principal and interest. In this case, CP will provide interim financing between the time a project is designed and constructed and the first reimbursement payment from the state. Due to the increasing number of SBA projects and limitations on state funding, the lag can be several years. Under the proposed scenario, CP supporting these school projects will be rolled over until first payments are received from the state. At that point, the CP will be retired and long-term debt will be issued to closely match the offsetting state reimbursement stream.

The second track of commercial paper will support all remaining capital projects including non-reimbursable school projects, public safety, parks, recreation centers, infrastructure and general government needs. Under this plan, CP will accumulate until bond proceeds are available to retire the outstanding amount.

Commercial paper will be issued at non-taxable rates on a periodic basis with a maximum maturity of 270 days. The Treasury Department will manage the program.

Property Tax Collections: The collection of property taxes has been improved by enhanced tracking systems and more thorough collection procedures and notifications, resulting in an increased rate of collection.

The City has implemented an aggressive enforcement program that continues to reduce the number of tax accounts that are delinquent, and to discourage new delinquencies. This program includes the adoption of stricter guidelines for handling delinquent taxes, utilizing a variety of collection remedies authorized by state statute and working closely with the Commonwealth to refine the tax collection system. For example, the City, following requisite approval from the Massachusetts Department of Revenue,

was the first municipality in the Commonwealth to amend tax bills to include past due amounts. The City has implemented an automated tax information hot line that allows taxpayers to call from 7 a.m. to 10 p.m., seven days a week, for updated tax balances, duplicate tax bills or information on other tax related questions. These changes, coupled with letter writing campaigns to first-time delinquents, have resulted in a significant reduction in the number of past due accounts.

Integrated Financial System : Financial management is supported through the Auditing Department's application of the Local Government Financial System ("LGFS"). This computerized financial management and accounting system is designed to track standard accounting functions such as revenues, expenditures, accounts payable, accounts receivable and general ledger. In addition, LGFS performs the specialized functions of encumbrance control, fund accounting and grants management, as well as other accounting and budgeting functions. The utilization of this system has become limited by the 15 year old mainframe design of LGFS. With an eye towards Year 2000 system compliance, the Finance Cabinet, in coordination with the City MIS Department and the Finance Office of the Boston Public Schools, is presently designing a Request for Proposals to procure a new financial system software package.

Financial Reports and Accounting Procedures : In addition to the five-year capital plan discussed above, the City, working through its financial departments, produces a number of reports which serve as important financial management tools. These include monthly cash flow reports (Treasury Department), monthly departmental expenditure reports, quarterly unaudited financial reports and a comprehensive annual financial report (Auditing Department). The monthly cash flow reports, monthly departmental expenditure reports and quarterly financial reports provide the City's fiscal administrators with additional sources of information to better manage departmental operations.

The Auditing Department has developed a fiscal year close process that limits and controls departmental appropriation reserves through encumbrances and closely monitors the amount of prior year reserves carried forward, which maximizes the City's undesignated fund balance. In addition, the process allows for the year-end close to be completed earlier in the year, an important factor in allowing the City to prepare for the following year's tax rate, and to send out its tax bills in a timely fashion. Timely mailing of tax bills is an important element in the cash management plan.

The Auditing Department maintains a document tracking system to monitor payment lag times and a City-wide vendor payment scheduling system. Both the tracking and scheduling of vendor payments ensures timely payments to vendors and enhances cash management. In addition, a system to monitor major utility payments (Boston Gas, Boston Edison) has been implemented to address disputes in an efficient and timely manner. This system virtually eliminates late charges and ensures that the City is credited for improper billings.

Pension Reform: In fiscal 1989 the City opted to participate in a Commonwealth program for local retirement systems that commit to fully funding their pension liabilities. In agreeing to participate, the City committed itself to establishing a funding schedule incorporating a complete amortization of unfunded pension liability over a forty-year period while simultaneously setting aside sufficient funds each year to cover current liability. Pursuant to legislation initiated by a home rule petition approved by the City Council and the Mayor, which became effective in December 1991, the pension funding schedule for fiscal 1992 through 1994 was reduced to reflect recent actuarial gains and the remaining term of the schedule was reduced from thirty-seven to twenty-nine years. Subsequent pension valuations have resulted in additional modest actuarial gains.

Management Letters: Each year, following the completion of the financial statements, the City's independent auditors

deliver a management letter containing comments and make recommendations on internal financial controls. The current management letter indicated no material weaknesses in the City's management. Specific management improvements have been recommended in the management letters, and many of the controls which the City has implemented originated from the auditors' recommendations. The auditors have commented favorably in successive management letters on the City's progress in addressing the auditors' suggestions. Through its own efforts and, when required, through appropriate legislation, the City intends to continue to modify and improve its internal financial controls with the advice of its auditors.

Contracting Procedures: The Uniform Procurement Act (Massachusetts General Laws Chapter 30B), enacted by the Commonwealth in 1990 (the "UPA"), creates uniform procedures for the contracting for services and supplies by all municipalities in the Commonwealth. The Auditing Department, working with the City's Law Department, has developed and implemented internal processes to conform City contracting procedures with the requirements of the UPA and other statutes specifying required contract procedures.

Financial/Management Initiatives

The City has undertaken a number of major policy initiatives to improve its internal management system. Major elements of this system include:

Managed Rightsizing: Between January, 1994 and January, 1997 the size of the City's workforce funded by the general fund has decreased by 5.3%. This decrease is a result of the merger of the Boston City Hospital with Boston University Medical Center Hospital, which resulted in a net decrease of approximately 1,800 hospital employees moving off of the City payroll. This decrease is offset by the City's increased hiring in the areas of public safety and public education.

Boston remains committed to providing high quality city services with the minimum necessary staff. The main vehicle utilized for this purpose during FY97 has been an early retirement incentive. The early retirement incentive was offered to all city employees except uniformed public safety personnel and school employees. It was originally estimated that the City would save between \$1 million and \$2 million if only 75% of the vacated positions were refilled. Two-hundred and nineteen employees retired with the incentive at the end of 1996. As of March, 1997 54% of the positions were approved for refilling by the Mayor's Managed Reduction Task Force which oversees the process.

Cost Controls: Additional steps taken to manage expenditures in the face of limited revenue growth include continuing restrictions on out-of-state travel, the assignment and use of City vehicles, and equipment purchases.

Health Insurance Cost Controls: Ongoing rate negotiations with the City's Health Maintenance Organization plans has yielded a zero rate increase for three years in a row, saving millions of dollars; a 3% average premium increase is estimated for FY98.

Risk Management Initiative: In 1992, the City established a formal risk management program. The program includes the coordinated efforts of Human Resources, Workers Compensation, Law, Retirement Board and other major departments to improve the management of risk-related costs. In addition to data collection and education efforts, city-wide improvements include: numerous management improvements and savings in employee injuries and related medical bill payments, increased collections from third party insurers for damage to City property, implementation of new citywide safety and wellness programs, and tightened contract procedures for legal services. Also underway is the development of a structured risk financing program, including the setting up of reserves, increased department accountability for risk related costs, and commercial catastrophic insurance for financial protec-

tion in circumstances beyond the City's control.

Financial Controls

In addition to the management systems described above, the City operates under several statutory financial control systems. Certain controls established in the 1982 Funding Loan Act and its 1986 amendments set limits on flexibility in financial administration. Under the 1982 Funding Loan Act, for example, until April 15 of each year, the Mayor is authorized to reallocate no more than \$3 million between departments.

Expenditure Controls: Several financial controls were enacted by state law and implemented during the 1980's. An expenditure allotment system prevents departmental overspending of personnel appropriations. Additional state law provisions are directed at the control of School Department spending. The City has also added a departmental reserve consisting of a percentage of the personnel appropriations, to mitigate the effects of any unforeseen expenditures during the year. These controls have aided the City in avoiding operating budget deficits every year since fiscal 1985, and have aided the School Department in avoiding operating budget deficits every year since fiscal 1990.

Reserve Fund: As required by law since 1986, the City has been maintaining a reserve fund equal to 21/2% of the preceding year's appropriations for all City and County departments (except the School Department). The fund may be applied to extraordinary and unforeseen expenditures after June 1 in any fiscal year with the approval of the Mayor and the City Council. To date, this budgetary reserve has not been utilized. As of April 9, 1997, the reserve fund had a balance of \$18.68 million. No additional funds are required for the proposed FY98 budget in order to meet the FY98 statutory obligation.

Auditing and Budgeting Practices

The City prepares its financial statements in accordance with generally accepted accounting principles (GAAP). However, accounting practices established by the Commonwealth's Department of Revenue, the so-called "budgetary basis" of accounting, are used in the annual budget and property tax certification process. Budgetary basis departs from GAAP in the following ways:

- (a) Real estate and personal property taxes are recorded as revenue when levied (budget), as opposed to when susceptible to accrual (GAAP).
- (b) Encumbrances and continuing appropriations are recorded as the equivalent of expenditures (budget), as opposed to a reservation of fund balance (GAAP).

(c) Certain activities and transactions are presented in separate funds (GAAP), rather than as components of the general fund (budget).

(d) Amounts raised for the prior years' deficits and available funds from prior years' surpluses are recorded as revenue items (budget), but have no effect on GAAP revenues.

(e) The subsidy to the Department of Health & Hospitals from the general fund was derived on a cash basis (budget), as opposed to a modified accrual basis (GAAP).

In addition, there are certain differences in classifications between revenues, expenditures and transfers. The following reconciliation summarizes the differences between budgetary and GAAP basis accounting principles for the year ended June 30, 1996 (in thousands):

FY96

	<u>Revenue</u>	<u>Expenditures</u>	<u>Other financing sources (uses), net</u>	<u>Loss on Disposal of DHH</u>	<u>Excess (deficiency) of revenue and other financing sources</u>
As reported on a budgetary basis	\$1,532,156	1,529,949			2,207
Adjustments:					
Revenues to modified accrual basis	4,948				4,948
Abolishment of DHH		(5,031)		(34,955)	(29,924)
Expenditures, encumbrances and accruals, net		(1,045)			1,045
Reclassifications:					
Health & Hospitals revenue to operating subsidy expenditure	(206,819)	(206,819)			
Parking meter revenue and expenditures to a special revenue fund	(7,000)	(7,000)			
Debt service expenditures and other financing sources to the general fund	189	379	190		
State-funded teachers' retirement costs	(35,000)	(35,000)			
Trust fund revenue to other financing sources	(500)		500		
Other	(679)	(679)			
As reported on a GAAP basis	\$1,287,295	1,274,754	690	(34,955)	(21,724)

Capital Planning



Overview of Capital Planning

The Office of Budget Management (OBM) is responsible for managing the capital budget of the City. The capital planning unit of OBM evaluates the condition of the City's capital stock, forecasts the timing and financial requirements of new construction and rehabilitation, and recommends the allocation of current and future resources to meet the City's infrastructure and capital requirements. Resource availability and capital needs are assessed frequently; appropriate planning responses are taken within the context of the City's overall budget and general financial condition.

An annually updated five-year capital plan is prepared to refine the capital assessments and project budget authorizations. In April, 1997, Mayor Menino released the capital plan, Boston's Five Year Capital Plan 1998-2002: Getting the Job Done. The plan details a \$1.25 billion capital budget through 2002 and reflects the administration's commitment to comprehensive planning and investment by spotlighting projects ranging from future economic development projects to strategies for neighborhood revitalization.

In addition to its planning functions, OBM also plays an ongoing project oversight and supervisory role during the implementation phase of capital projects. Staff reviews and approves all capital contracts and monitors project costs and schedules to ensure the adequacy of available funding sources.

Highlights of the FY98-2002 Capital Plan

Boston's five-year \$1.25 billion Capital Plan, *Getting the Job Done*, is an investment program for the City's future. The underlying framework for the plan emphasizes (1) the strategic use of infrastructure to promote economic development, neighborhood revitalization, quality education and health care, and public safety, (2) comprehensive planning to lay the foundation for future growth, and (3) effective government management to provide leadership and vision.

Priority projects in the 1998-2002 Capital Plan range from improvements to reinvig-

orate Boston's neighborhoods to renovations to boulevards, bridges and public squares to plans for ensuring schools, libraries and community centers serve as learning centers for all.

Education is a major focus of this year's plan. Construction will begin on three Early Education Centers, and the Schoolyards Initiative will target several schoolyards throughout the City for redesign. Investment in neighborhood business districts, downtown Boston, and the waterfront communities of East Boston, South Boston and Charlestown will support continued economic growth and development. A new Police Headquarters, scheduled to open in the fall of 1997, will enhance the public's safety and well-being.

Across the City residents will be able to enjoy improvements to numerous parks and playgrounds. New open spaces will be created through initiatives to renew urban wilds and to convert the Gardner Street Landfill into passive and active recreational space. Investment in ambulance garages, and improvements in support of public health initiatives will ensure quality health care for all residents.

Capital planning for the City of Boston is a dynamic, ongoing process. Projects initiated in the past several years are included in this plan as they move toward completion and new projects are identified. The 1998-2002 Capital Plan provides a strong foundation for future capital investment and helps ensure Boston's stature as a world-class city and a leader in the twenty-first century. The projects are organized around themes as discussed below.

Neighborhood Revitalization Capital investment in Boston's neighborhoods is a top priority in this year's plan. If the twenty-first century is to be a golden era for Boston, the City's neighborhoods must offer appealing environments in which to live and work. It is the mission of the City's capital investment program to provide the infrastructure support that will ensure strong, healthy, vital neighborhoods.

This year's plan funds projects throughout Boston's neighborhoods to revitalize

business districts, rehabilitate boulevards and rebuild public squares, parks and community centers. Children will benefit from extensive renovations to tot lots and playgrounds, which will help to ensure safe, enjoyable play spaces are available. More than \$419 million worth of projects will enhance the economic and cultural vitality of the City's neighborhoods.

Public Safety

Capital funding totaling \$128 million has been allocated to ensure the safety and well-being of Boston's residents, workers, and visitors. Construction of a new police headquarters is well underway, with completion slated for the fall of 1997. In addition, new neighborhood police stations are planned for East Boston and the South End.

To ensure fire-fighting preparedness, numerous fire stations across the City will be renovated. This year's plan also provides \$350,000 to conduct a feasibility study to determine the needs and costs associated with upgrading the Fire Department's training facility on Moon Island. In addition, several new pieces of equipment, including pumper trucks, a rescue unit, and a mobile command unit, will be acquired.

Pedestrian safety continues to be addressed in the FY98-FY02 plan. This year, \$660,000 is budgeted for pavement markings and \$1.6 million for traffic signal improvements to further enhance public safety.

Public Education

A major focus of the FY98-FY02 Capital Plan is to ensure Boston's educational facilities are equipped to meet the educational needs of youths, families and communities. Over \$275 million has been authorized toward this goal.

Capital investment in Boston's high schools -- from new library/media centers to technology upgrades -- ensures that all schools are accredited or are working toward this goal. The construction of three new Early Education Centers has commenced with this year's plan, each providing classroom space and improved

learning environments for 300 children. The Schoolyards Initiative continues to re-energize Boston's schoolyards, turning them into creative spaces for learning and play. In addition, \$44.4 million will be allotted for technology upgrades.

Significant capital investment will be made in the Boston Public Library system. Phase II renovations to the McKim building are underway, with anticipated completion in 1998. Groundbreaking on the new Hyde Park Branch Library wing is scheduled for the summer of 1997. In Allston, a program and site study will be completed for a new library facility.

Economic Development This year's plan supports economic development projects representing \$232 million in capital investment. Investment in projects ranging from the revitalization of Downtown Crossing, Chinatown and the Theater District to planning for a new convention center, to the development of economic development masterplans will ensure a strong, vibrant future. To guide the City's economic development, a comprehensive plan -- the Boston 400 project -- will be developed to bring together the best planning and design professionals and initiate a series of public forums to develop a blueprint for enhancing the City's economic and social well-being.

In addition, numerous bridge improvements, including a new Chelsea Street Bridge, are planned throughout the City.

Over \$2 million has been committed for improvements to the Freedom Trail and related projects; \$750,000 for infrastructure improvements in support of the New England Aquarium's rehabilitation effort; and \$1.1 million for the redevelopment of City Hall Plaza.

Health and the Environment

To support quality health care and a clean environment, \$98 million will be invested in support of public health initiatives. New projects include the construction of ambulance garages, addressing the clean-up hazardous materials, and open space protection or restoration. This year's capital plan iden-

tifies projects for the new Boston Public Health Commission, to maintain the capital assets it inherited from the former Department of Health and Hospitals.

To ensure a clean, safe environment for those who live, work or visit the City, \$4 million will be invested to clean up and conserve open space and water resources and to create new areas for passive and active recreational use. Over \$8.7 million has been budgeted to prepare the Gardner Street Landfill for recreational purposes. The City will also continue to acquire, preserve and develop reuse options for urban open space and urban wilds.

Government Effectiveness To improve government effectiveness, over \$76 million will be invested in infrastructure and technological improvements and enhancements across the City.

Investment in state-of-the-art technology continues with the design and installation of a \$1 million fiber optic data infrastructure that will enable the City to link all departments to City Hall via computer and provide on-line access to the general public.

Parks and Open Space Significant investment in Boston's parks and open space will ensure that many opportunities exist for residents and visitors to recreate and relax. In January 1997, the Boston Common Frog Pond reopened for ice skating and use as a spray and reflecting pond after a \$3.2 million rehabilitation. This year's plan commits over \$18 million in authorization to enhance parks and open space across the City. Over \$1.5 million is allocated in the capital plan for the restoration of the Boston Common and the Public Garden.

Throughout the City, capital investment in neighborhood parks and totlots will ensure safe, enjoyable areas for families to gather. Major renovations are planned for Schoolmaster Hill. In addition, a new golf clubhouse will be constructed at Franklin Park.

In total, this year's capital plan is distributed among these themes as follows:

- 34% *neighborhood revitalization*
- 22% *public education*
- 19% *economic development*
- 10% *public safety*
- 8% *health and the environment*
- 6% *government effectiveness*
- 1% *parks and open space*

Capital Financing

Financing for the FY98-FY02 Capital Plan is derived from the sources indicated in Table I and detailed as follows.

<i>General Obligation</i>	\$771.469	61.77%
<i>State Funds</i>	134.656	10.78%
<i>Federal Funds</i>	336.202	26.92%
<i>Trust Funds</i>	.610	0.05%
<i>Other Funds</i>	5.914	0.47%
Total	\$1,248.851	100%

General Obligation (G.O.) Bonds Capital investment in Boston is financed primarily by general obligation bonds, representing 62% of capital fund revenues. Over the past decade, the City has sold \$629.8 million of general obligation bonds, including \$90 million issued in November, 1996. This new plan assumes \$390 million of new general obligation borrowings over the next five years.

Commercial Paper The proposed commercial paper program will support the current debt issuance program by providing interim financing for school projects eligible for state reimbursement. Commercial paper will be issued to fund design and construction costs and will remain outstanding until the City receives its first reimbursement payment from the state. In addition, commercial paper will support all remaining general capital projects and will accumulate until bond proceeds are available to retire the outstanding amount.

State and Federal Funds State and federal funds, as sources of capital financing, are currently estimated at \$134 mil-

lion from the state and \$336 million from federal programs. (An estimated \$130 million in federal support would flow to the Boston Housing Authority for the Mission Main and Orchard Park HOPE VI initiatives.) Specific financing programs provide key resources for Boston's Capital Plan. Examples of these programs include:

School Building Assistance Program

This is an important revenue source for school renovation and construction. The State Department of Education reimburses a percentage of the project costs on an annual basis to the general fund. It effectively offsets a portion of the City's debt service related to school construction.

Chapter 90 Funds Administered by the Massachusetts Highway Department, Chapter 90 funds are derived from state gas tax revenues and are a formula distribution to all cities and towns in the Commonwealth. Based on current allocations, \$11 million in Chapter 90 funds are anticipated annually.

Surface Transportation Program A program established through the federal government's \$151 billion Intermodal Surface Transportation and Efficiency Act of 1991 (ISTEA), the Surface Transportation Program funds 80% of the cost of construction for major local road projects. This Capital Plan carries 35 projects to be supported by this program.

Trust Funds The City's Trust Office manages trust funds and bequests from private citizens that are dedicated to Boston's public spaces. While these trust funds represent a small percentage, less than 1% of the overall revenue to the capital fund, they play an important role. Grants from the Edward Ingersoll Browne Trust Fund have been used for the restoration of neighborhood parks and public spaces. The George Robert White Fund is used to support facilities owned by the fund.

Expenditures

General Trend Between FY92 and FY96, annual capital expenditures averaged

\$99.3 million. The largest project undertaken by the City during this period was the construction of a new inpatient facility at Boston City Hospital. In the FY92-FY94 period, one-third of all capital spending was related to the inpatient facility which was funded through a revenue bond. Capital expenditures reached their highest historical level in FY92, \$107.4 million. Between FY93 and FY95 total capital spending fell below \$100 million annually, dropping to \$84.7 million in FY95. A slight retrenchment in project spending occurred during this time, necessitated by a sharp reduction in General Fund revenues in the midst of the regional recession. (Figure 1.)

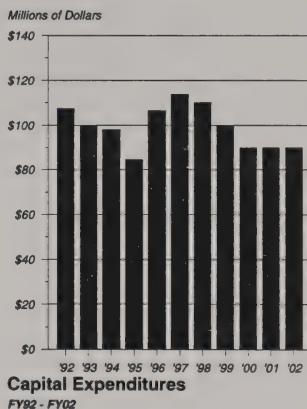


Figure 1

In FY96, total expenditures increased to \$106.4 million. The increase in spending was driven mainly by an increase of expenditures for school projects and police related projects including a new headquarters facility. This trend has continued into FY97 and will also influence

projected spending in FY98. Total capital expenditures in FY97 will be approximately \$114.0 million and will decline slightly to \$110 million in FY98 and \$100 million in FY99. The primary areas of spending will be in public safety with the completion of the new police headquarters, the implementation of a new computer-aided-dispatch system and emergency back up center, and schools, with three new Early Education Centers beginning construction. Additional expenditures support high school accreditation efforts and the implementation of a school technology plan. Expenditure estimates beyond FY2000 are estimated at \$90 million annually.

Strategies are currently being developed to manage this sustained level of expenditure. These strategies include aggressively pursuing grant funds, maximizing the use of non-G.O. sources such as Chapter 90, and issuing short-term commercial paper for certain state-reimbursable school projects. Together, these strategies will enable the City to sustain its current level of capital spending while prudently managing its future borrowings and outstanding debt.

Schools Between FY92 and FY95, capital expenditures averaged \$13.8 million annually. During this period capital spending was driven largely by the Unified Facilities Plan (UFP), a 10-year court mandated facility improvement program. In FY96 the final series of UFP projects were advertised and began construction. At the same time, the City initiated an aggressive improvement program for the 16 high schools to address various building deficiencies that might affect a school's accreditation status. In addition, the School Department reopened a closed elementary school as a pilot school. As a result of these initiatives, total capital expenditures increased to \$32.6 million. Expenditures in FY97 reflect the completion of UFP projects, the design and engineering of three new Early Education Centers (EECs), continued improvements related to accreditation in various high schools and finally, the beginning phase of implementing a system-wide technology plan. In FY98 and FY99, capital expendi-

tures on schools are expected to increase due to the three new EECs' construction, the beginning of major renovation projects at East Boston High School and Hyde Park High School, and the next phases of the technology plan.

Public Safety Currently, the single largest capital project is the construction of a new police headquarters building. The \$69.8 million facility will be completed in late 1997. Through FY96, \$18 million was expended on design and construction. FY97 and FY98 will see the heaviest spending on this project. Final equipment expenditures and project closeout costs will continue into FY99. Other significant projects that will affect capital spending in FY98 and FY99 include the renovation of the Fire Alarm Building as a backup operations center, and the construction of new police stations in the South End and East Boston.

Public Works/Transportation The City's roadway reconstruction and resurfacing program is funded through a combination of general obligation bonds and Chapter 90 funds from the state. Over the past five years, the City has spent an average of \$6 million under the Chapter 90 program. It is anticipated that FY98 will see increased reliance on the Chapter 90 program to fund the City's roadway and sidewalk programs. In addition, the City continues to prepare engineering plans for a variety of roadway improvements to be funded under the federal ISTEA program. In FY99 and beyond, total capital spending on roadway infrastructure is expected to continue at about the current level.

Economic Development Capital expenditures in support of the City's economic development agencies have averaged \$5 million a year since FY92. The agencies have spent the funds to stabilize historic buildings in their care and custody, improve roads and lighting within the Charlestown Navy Yard and the Marine Industrial Park, and initiate planning studies to help guide future development in the City. Annual expenditures will continue at about or somewhat above the average level. In FY98, the City will be well into developing the Boston 400 Plan, a

broad master plan for the next thirty years. In addition, plans are moving forward on Boston 2000 and the redevelopment of City Hall Plaza. In the Navy Yard, First and Second Avenue will be rebuilt and extended and design will begin on the rehabilitation of several public piers.

Parks and Community Centers Capital expenditures on parks and community center projects have remained steady over the past five years. Typically, increases are attributed to special projects such as the restoration of Frog Pond in FY97. In FY98 capital expenditures once again include ongoing renovation and repair of the basic physical inventory of the City's parks and playgrounds. It is anticipated that expenditures in FY98 will be above average due to a special project at East Boston Stadium to replace the existing grass playing surface with astroturf. In the long-term, a new community center is planned at the former Vine Street Municipal Building. Design and engineering has begun and construction is expected to start sometime in FY99.

General Government Expenditures will increase slightly in FY98 and FY99 to update equipment and improve systems. Design, analysis and installation of a \$1 million fiber optic voice and data system will be underway in FY98, that will link all departments, both inside and outside City Hall, via computer and provide online access to the general public. In FY97 and FY98, over \$1.1 million will be spent on the implementation of an Optical Disk Retrieval System for the Inspectional Services Department, allowing users to retrieve and update geographical information stored on disks. An additional \$2 million will be spent in FY98-FY99 for further automation of the Department's permitting, billing and inspection functions. The Parks Department will spend over \$700,000 in FY98 to update their equipment and rolling stock.

Capital Planning Process

The five year capital plan and annual update planning process is the City's key asset management system. Since it was initiated in 1985, the planning process

has been used to evaluate capital stock conditions, identify capital priorities, forecast the timing and financial requirements of new construction and rehabilitation, and recommend allocation of current and future resources to the Mayor and the City Council. Resource availability and capital needs are not static, and must be continually reevaluated.

Steps In the Process The capital planning process centers around an annual capital needs assessment, in order to determine the conditions of the existing infrastructure and identify insufficiently serviced areas. There is a formal internal process involving a systematic submission of proposals by City departments. In addition, there is an ongoing community- and constituent-driven process.

The formal process begins in the fall of each year when OBM solicits capital requests from City cabinets and departments. These requests are based on a department's knowledge of infrastructure problems, earlier planning studies and information gathered from daily exposure to City conditions, and dialogues with constituents.

The departmental requests must be comprehensive and meet threshold criteria re-established each year. This year's submissions included project justifications, useful life statements, and information regarding benefits for public/private purposes. In addition, federal tax law regulations included in the 1986 Federal Tax Reform Act require a review of the submissions to determine the extent to which private purposes or benefits exist. This review is necessary for Boston to maintain its tax-exempt financing status.

All capital improvement projects requesting funding consideration this year had to meet at least one of the following threshold criteria:

- *Complies with the Americans with Disabilities Act (ADA)*
- *Improves health and safety*
- *Supports economic development*
- *Enhances general government effectiveness*
- *Mitigates an environmental hazard*

- Responds to a legal, legislative, or administrative mandate
- Preserves existing municipal facilities

The capital plan is submitted by the Mayor to the City Council each year. The Council, in turn, holds public hearings and approves authorizations for new projects.

Operating Budget Impacts

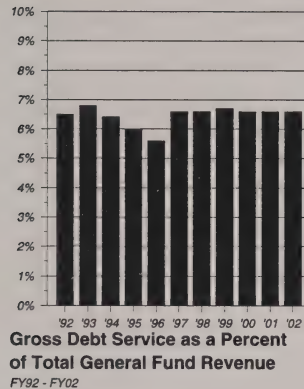


Figure 2

The most obvious operating budget impact is on the City's annual debt service payments. The City's debt service management and policies are described in the next section of this chapter. In general, the City has kept and is expecting to keep its debt service under 7% of total general fund operating budget revenues. (Figure 2.) In addition, the ratio of debt service to the City's primary revenue source, the property tax levy, declined significantly in the early 1990's. This ratio is projected to remain at this decreased level for the duration of the capital plan. (Figure 3.)

The total cost of a capital improvement project must also consider its long-term effect on the City's operating budget. Accordingly, project requests must include

information describing the completed projects anticipated effect on personnel, utilities, maintenance and supply costs as well as expected changes in service demand/delivery of departmental programs. As a practical matter, it is assumed that certain types of projects such as energy conservation/efficiency (i.e. heating system upgrades, roof and window replacements) provide operating savings, although the exact dollars are not quantified. The construction of new facilities or the major renovation/change in use of existing facilities is the primary source of increased operating costs for the City.

In FY98 the following facilities are scheduled to be placed in service: a new police headquarters (end of 2nd quarter), Draper Pool (1st quarter).

Several facility projects now in design or construction are scheduled to come on line in FY99. The projects include three new early education centers, an expanded branch library and a new golf clubhouse. It is estimated that the Early Education Centers will require a net increase of \$720,000 each to operate. The Parks Department plans to operate the new golf clubhouse under a management contract that will minimize increases in green fees for players. The contractor will

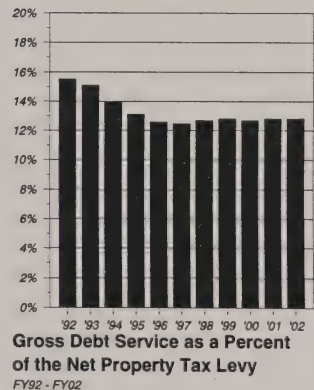


Figure 3

operate the facility using revenue generated to maintain the facility. The City does not anticipate incurring expenses at this facility.

Debt Management Policies and Debt Implications of the Plan

Effective debt management will ensure that the City can meet its capital infrastructure and facility needs. Debt management requires a series of decisions about the amount, timing, purposes, and structure of debt issuance. The long-term debt related to capital investment has two main purposes:

- (1) it finances acquisition, construction, repair, and renovation of City-owned buildings, equipment, and other City facilities that are necessary to provide public services; and
- (2) it finances infrastructure improvements needed for the City's continued growth and maintains safe roadway conditions.

The Treasury Department manages all City borrowings. It has focused in particular on the timing of borrowings, paying special attention to favorable market conditions. The City adopted a set of debt management policies that were implemented by the Treasury Department. These policies address issues such as debt affordability and limitations on the level of variable rate debt the City will use. The goal is to rapidly repay debt, maintain a conservative level of outstanding debt, and ensure the City's continued positive financial standing with the bond market.

Key components of the debt management policies ensure that:

- *combined net direct debt should not exceed 3% of taxable assessed value;*
- *at least 40% of the overall debt should be repaid within five years, and 70% within ten years;*
- *annual debt service costs should not exceed 7% of general fund expenditures;*

- *the variable rate debt should not exceed 20% of the City's total currently outstanding bonded debt.*

The City's debt service forecast assumes a borrowing of \$90 million in FY98 and \$75 million a year thereafter. The debt table at the end of this chapter details the City's outstanding debt service obligations and demonstrates the City's rapid retirement of its debt.

The projected annual debt service requirements are within the City's operating guideline of holding debt service to 7% of total operating budget expenses. The City's current overall debt burden (net direct debt to assessed property value of \$29.37 billion) is 1.48%. The City's net direct debt per capita currently stands at \$795.25 as of June 30, 1996. While debt issuance and debt outstanding have increased over the last decade, it has been a modest increase.

Boston has been conservative about assuming long-term debt and aggressive about retiring debt expeditiously. Currently, the City plans to retire 41.6% of its principal five years out, before the end of fiscal year 2001. This overall approach to debt issuance has significantly shaped the City's capital investment strategy. Upgrades to the City's bond rating have also contributed to the successful capital investment strategy. In October 1995, Standard & Poor's Corporation raised the City's bond/credit rating to A+, the highest rating ever achieved by the City. Moody's Investors Service awarded the City with its highest rating ever of A-1 in November, 1996.

Boston has had 14 bond sales over the past decade, including four refunding issues. The smallest issue was \$39.1 million in June 1988; the largest was \$96.2 million in 1991, which included a \$16.2 million refunding of existing debt. For the most recent \$90 million general obligation bond issue in November 1996, the City also achieved significant interest rate savings.



Major Capital Projects

The following table lists the major projects being undertaken by the Capital Plan. Details of each capital project can be found in the FY98-2002 Capital Plan.

Volume II of the Recommended Operating Budget summarizes, by department, capital projects that will be coming on-line by the end of FY97.

Major Capital Projects FY98-2002 Plan

Project	Description	Plan Budget
Mission Main Roadway Infrastructure	In Coordination With The Boston Housing Authority's Hope VI Program At Mission Main. Construction of Public Roadways and Sidewalks In Project Area.	\$79,150,000
Roadway Reconstruction FY1997 - FY2002	Reconstruct Over 120 Miles of Roadways Including New Sidewalks and Underground Lighting Conduits.	\$77,650,056
New Police Headquarters	Design and Construct A New Police Headquarters For Administrative Functions, Enhanced 9-1-1 Service and Computer-Aided-Dispatch System.	\$69,833,000
Orchard Park Roadway Infrastructure	In Coordination With The Boston Housing Authority's Hope VI Program At Orchard Park. Construction of Public Roadways and Sidewalks In Project Area.	\$62,181,000
New Chelsea Street Bridge	Develop Design and Engineering Plans For The Construction of a New Chelsea Street Bridge. Federal Funds Anticipated For Construction.	\$42,145,000
Commonwealth Avenue Segments B,C,D	Develop Design and Engineering Plans To Reconstruct Roadway, Sidewalks, Traffic Signals and Relocation of MBTA Track to Dedicated Median.	\$29,675,000
Hyde Park High School	Construct Library/Media Center, Science Labs, Cafeteria and Kitchen; Upgrade Technology, HVAC, Replace Windows, Various other upgrades, and addition containing a new gym.	\$26,000,000
Boston Medical Center	Design and Construction of Various Renovation and Improvement Projects on the Campus of the Former Boston City Hospital.	\$25,000,000
School Technology Upgrades FY99-02	Upgrades For Technology, Including Upgraded Electrical, Service and Distribution; Installation of data wiring for 29 schools.	\$24,000,000
East Boston High School	Construct Library/Media Center, Science Labs, Cafeteria & Kitchen, and Addition containing new gym, Electrical service & technology, Renovate ground floor classrooms; Various other upgrades	\$24,000,000
Long Island Bridge	Delead, Repaint and Complete Related Structural Improvements.	\$21,284,500
McKim Building Phase II	Design and Construction of Phase II Renovations To Historic Library.	\$20,616,876
Mcardle Bridge	Design Rehabilitation of Bridge. State and Federal Construction Funds Anticipated.	\$18,424,000
Sidewalk Reconstruction FY1997-FY2002	Reconstruct More than 30 Miles of Sidewalks.	\$16,484,000
Commonwealth Avenue Segment A	Develop Design and Engineering Plans for Roadway Reconstruction Between Kenmore Square and Packards Corner.	\$15,930,000
Summer Street Bridge Over Reserved Channel	Design Bridge Rehabilitation. State and Federal Construction Funding Anticipated.	\$15,069,000

Major Capital Projects FY98-2002 Plan

Project	Description	Plan Budget
School Technology Upgrades, FY98	Upgrades For Technology, Including Upgraded Electrical Service and Distribution; Installation of Data Wiring For 29 Schools.	\$14,430,600
Congress Street Bridge	Design The Rehabilitation of Bridge. State and Federal Construction Funding Anticipated.	\$14,293,390
Fire Safety	Five Year Plan For Fire Safety Code Related Issues Includes Installing Modern Fire Alarm System and Replacing Interior Fire Doors at Boston City Hall. Install Automatic Sprinkler Systems at Various Sites.	\$13,852,038
Roadway Resurfacing FY1997 - FY2002	Mill, Overlay and Resurface More Than 185 Miles of Roadways.	\$13,203,000
Massachusetts Avenue	Develop Design and Engineering Plans To Reconstruct Massachusetts Avenue From Boylston Street To Melnea Cass Boulevard. State and Federal Funding Anticipated For Construction.	\$12,600,000
Cambridge, Washington, and Tremont Streets	Develop Design and Engineering Plans To Reconstruct Roadway, Sidewalks, Traffic Signals, and Amenities. Removal of MBTA Tracks from Union Square to Newton City Line. State and Federal Construction Funding Anticipated.	\$12,600,000
Computer Equipment and Software	Purchase Classroom and Administrative Workstations, File Servers, Video System, Workstation Furniture, Instructional, Administrative and Communications Software.	\$12,000,000
Streetlighting FY1997 - FY2002	Install More Than 7,500 New Lighting Poles and Luminaires On Reconstructed Streets.	\$11,500,000
High School Accreditation	Continuing Facility Improvements Related to Accreditation.	\$11,000,000
Huntington Avenue	Design Roadway Improvements. Improvements to Include Sidewalks, Street Lighting, and other Amenities. State and Federal Construction Funding Anticipated.	\$10,600,000
Schools Initiative	Construction and Design Funds to Implement Various Projects in Support of the Mayor's Schools Initiative.	\$10,301,000
Summer Street Bridge Over Fort Point Channel	Complete Design and Engineering Analysis For Rehabilitation/Reconstruction. State and Federal Construction Funding Anticipated.	\$9,795,000
New Early Education Center	Construct a New Early Education Facility at the Site of the Former Tileston School. The New School Will Provide Educational Space for K-1 and K-2 Kindergarten Classes.	\$9,500,000
New Early Education Center	Construct A New Facility For Early Education. The New School Will Provide Educational Space For K-1 and K-2 Kindergarten Classes.	\$9,200,000
New Early Education Center	Construct A New Facility For Early Education. The New School Will Provide Educational Space For K-1 and K-2 Kindergarten Classes.	\$9,200,000

CITY of BOSTON DEBT SERVICE PAYMENTS

- Stated in Five Year Intervals -
(\$ in thousands)

DATE of ISSUE	AMOUNT ISSUED	F'97 through F'01		F'02 through F'06		F'07 through F'11		F'12 through F'16		F'17 through F'21		F'97 through F'21	
		Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
November 15, 1996	90,000	28,800	17,195	28,800	11,520	17,000	5,725	12,900	2,198	2,500	63	90,000	36,700
October 15, 1995	75,000	26,400	16,366	16,600	10,767	16,000	6,420	16,000	2,184	0	0	75,000	35,737
September 1, 1994	70,000	20,370	15,337	21,015	9,866	13,400	5,363	11,570	1,425	0	0	66,355	31,990
February 1, 1994	85,900	20,130	16,619	29,470	11,253	28,040	3,993	3,345	84	0	0	80,985	31,949
September 1, 1993	50,000	9,155	9,750	11,545	7,623	14,955	4,602	11,155	836	0	0	46,810	22,811
February 1, 1993	92,305	16,110	22,320	55,535	12,302	17,185	2,018	0	0	0	0	88,830	36,640
February 15, 1992	70,715	12,800	15,825	17,020	11,440	15,215	6,610	11,490	759	0	0	56,525	34,633
May 15, 1991	80,000	24,570	9,720	16,485	2,092	0	0	0	0	0	0	41,055	11,813
May 15, 1991	16,155	10,390	1,236	0	0	0	0	0	0	0	0	10,390	1,236
January 1, 1990	90,000	28,705	7,562	5,000	355	0	0	0	0	0	0	33,705	7,917
March 1, 1989	65,000	18,550	3,368	0	0	0	0	0	0	0	0	18,550	3,368
July 7, 1988	39,110	8,780	1,178	0	0	0	0	0	0	0	0	8,780	1,178
August 15, 1986	58,525	21,345	3,274	0	0	0	0	0	0	0	0	21,345	3,274
April 15, 1986	65,000	2,925	205	0	0	0	0	0	0	0	0	2,925	205
May 1, 1979	55,000	5,435	661	0	0	0	0	0	0	0	0	5,435	661
April 1, 1978	25,000	1,810	166	0	0	0	0	0	0	0	0	1,810	166
November 1, 1977	40,000	3,685	236	0	0	0	0	0	0	0	0	3,685	236
March 1, 1977	40,000	1,625	118	0	0	0	0	0	0	0	0	1,625	118
October 1, 1976	35,000	0	0	0	0	0	0	0	0	0	0	0	0
March 1, 1976	85,000	0	0	0	0	0	0	0	0	0	0	0	0
December 1, 1969	24,000	720	99	0	0	0	0	0	0	0	0	720	99
August 1, 1969	15,000	1,180	147	0	0	0	0	0	0	0	0	1,180	147
December 1, 1968	17,780	255	18	0	0	0	0	0	0	0	0	255	18
December 1, 1967	23,020	320	14	0	0	0	0	0	0	0	0	320	14
August 1, 1967	9,180	330	15	0	0	0	0	0	0	0	0	330	15
November 1, 1966	18,500	130	3	0	0	0	0	0	0	0	0	130	3
November 1, 1965	12,400	0	0	0	0	0	0	0	0	0	0	0	0
Rapid Transit	Various	0	0	0	0	0	0	0	0	0	0	0	0
Totals:		264,520	141,432	201,470	77,217	121,795	34,732	66,460	7,484	2,500	63	656,745	260,928
			405,952		278,687		156,527		73,944		2,563		917,673

% of Total Principal and Interest Retired in 5 Years:

% of Total Principal and Interest Retired in 10 Years:

% of Total Principal and Interest Retired in 15 Years:

% of Total Principal and Interest Retired in 20 Years:

% of Total Principal and Interest Retired in 25 Years:

Outstanding Debt as of June 30, 1996

	Outstanding @ 6/30/96	Percent of Total Outstanding Debt
General Purpose:		
Acquisition of Land, Parks and Recreation/		
Outdoor Facilities/Cemeteries/LandFill Areas	34,943,134.26	6.17
Departmental Equipment	19,887,651.66	3.51
Remodeling & Extraordinary Repairs	110,809,719.33	19.55
	165,640,505.25	29.23 %
Urban Development:		
Economic Development and Industrial Corporation	11,290,477.55	1.99
Urban Redevelopment and Renewal	38,155,687.26	6.73
	49,446,164.81	8.72 %
Parking Facilities:		
Parking Facilities/General	3,551,380.12	0.63
Parking Facilities/Capital Improvements, Act of 1973	190,000.00	0.03
	3,741,380.12	0.66 %
Schools:		
Urban Renewal Campus High Area	1,213,949.66	0.21
Remodeling & Extraordinary Repairs	104,525,060.35	18.44
Capital Improvements, Act of 1966	1,130,000.00	0.20
Capital Improvements, Act of 1973	6,292,650.00	1.11
Capital Improvements, Act of 1991	5,330,000.00	0.94
School Project Loan, Act of 1948	31,087,254.03	5.49
	149,578,914.04	26.39 %
Public Buildings:		
New City Hall	800,000.00	0.14
Construction of Buildings	37,450,303.20	6.61
Capital Improvements, Act of 1966	1,225,638.10	0.22
Capital Improvements, Act of 1973	48,903,380.21	8.63
Capital Improvements, Act of 1991	18,105,970.97	3.19
	106,485,292.48	18.79 %
Public Works:		
Construction of Bridges	13,525,584.21	2.39
Construction of Public Ways	50,502,841.75	8.91
Construction of Sidewalks	16,385,628.18	2.89
Automatic Traffic Control Signals	3,254,834.28	0.57
Street Lighting Installation	7,983,854.88	1.41
Sewerage Works	200,000.00	0.04
	91,852,743.30	16.21 %
GRAND TOTAL =		
	566,745,000.00	100.00 %

Certain Debt Ratios...

The following table sets forth information as of June 30, 1996 with respect to the approximate ratio of the City's debt to certain economic factors.

Debt Ratios as of June 30, 1996				
	Amount	Per Capita (1)	Ratio to Assessed Property Value (2)	Debt Per Capita as a % of Personal Income Per Capita (3)
Gross Direct Debt.....	\$566,745,000	\$1,034.73	1.93%	3.58%
Net Direct Debt.....	\$435,580,577	\$795.25	1.48%	2.75%
Net Direct and Indirect Debt....	\$551,710,501	\$1,007.28	1.88%	3.49%

(1) U.S. Census Bureau as of July, 1994 -- Boston's Population = 547,725

(2) Assessed Taxable Property Value of \$29.37 billion as of January 1, 1995.
(State law requires that property be assessed at fair cash value.)

(3) U.S. Department of Commerce, Bureau of Economic Analysis, May 1995,
Revised Series -- Suffolk County's 1994 Per Capita Personal Income = \$28,880

Source: City of Boston Official Statement dated: November 15, 1996

Rate of Principal Retirement as of June 30, 1996 Fiscal Years Ending June 30, 1997 - 2016		
Fiscal Year Ended June 30,	Amount	Percentage of Total Principal Amount Retired
1997 - 2001	235,720,000.00	41.59%
2002 - 2006	172,670,000.00	30.47%
2007 - 2011	104,795,000.00	18.49%
2012 - 2016	53,560,000.00	9.45%
	<u>566,745,000.00</u>	<u>100.00%</u>

Capital Fund Debt Service Requirements
Fiscal Years 1996 to 2002
(in thousands)

	Actual 6/30/96	Projected 6/30/97	Projected 6/30/98	Projected 6/30/99	Projected 6/30/00	Projected 6/30/01	Projected 6/30/02
Gross Debt Service Requirements - Bonded Debt:							
Principal	\$53,610	\$54,520	\$57,590	\$61,120	\$63,360	\$67,530	\$71,685
Interest	32,209	32,964	36,095	37,461	38,393	39,262	40,006
(1) Total	\$85,819	\$87,484	\$93,685	\$98,581	\$101,753	\$106,792	\$111,691
Less Revenue Deemed Available from Related Sources:							
(2) Parking Rentals	1,903	1,344	450	350	250	150	150
(3) School Construction Assistance	12,941	13,726	11,347	11,177	12,340	14,769	16,488
(4) Boston Medical Center	n/a	4,729	4,035	3,655	3,453	3,006	2,760
(4) Boston Public Health Commission	n/a	2,477	2,331	2,240	1,959	2,107	2,054
Water and Sewer Payments	134	62	59	55	52	0	0
(5) Sinking Fund	20	0	0	0	0	0	0
(6) Cemetery Funds	35	35	35	35	35	35	35
Net Debt Service Requirements	\$70,786	\$67,588	\$77,759	\$83,309	\$85,623	\$88,832	\$92,258
Interest on Temporary Loan Notes:							
(7) Revenue Anticipation	0	3,000	3,000	3,000	3,000	3,000	3,000
Bond Anticipation	0	0	0	0	0	0	0
Total Net Debt Service Requirements	\$70,786	\$70,588	\$80,759	\$86,309	\$88,623	\$91,832	\$95,258

NOTES:

- (1) Assumes debt issuance for F'98 through F'02 totalling \$390 million, 20 year average maturity, with an interest rate of 6.25%.
On November 15, 1996, the City issued \$90 million in general obligation bonds.
- (2) Projections per the Office of Budget Management.
- (3) Projections per the Capital Budgeting Program/Office of Budget Management.
- (4) Projections per the Auditing Department.
- (5) Rapid Transit debt was fully matured on 12/1/95.
- (6) Due from Cemetery receipts.
- (7) Projections per the Office of Budget Management.
- (8) The City is currently evaluating the feasibility of a Commercial Paper program.

Statutes and Ordinances



Statutes and Ordinances Governing Boston's Operating Budget

The purpose of this section is to set forth summaries of key Commonwealth laws and City ordinances which affect the formulation of Boston's operating budget and its subsequent expenditure. Please note that the material is not all-inclusive, but does cover the more important laws guiding the budget process.

In addition to the statutes and ordinances, other budget-related dictates can be found in various mayoral Executive Orders and in the policies and administrative guidelines issued by the Office of Budget Management.

Probably the most important legislation to read to obtain a more precise understanding of Boston's operating budget is Chapter 190 of the Acts of 1982, commonly referred to as the Tregor legislation, and Chapter 701 of the Acts of 1986, known as the Tregor amendments.

New state laws affecting the municipal budget process are frequently proposed and sometimes passed. Most recently, the state legislature passed Chapter 306 of the Acts of 1996 ("An Act Further Regulating the Disability Retirement System") which had a provision that switched the funding source for local retirement boards' administrative costs from city, town and agency budgets to each local retirement board's investment income. Thus, the planned amount of City funding allotted for State-Boston Retirement Board administrative costs is being reduced from \$1.4 million in FY97 to zero in FY98.

Annual Appropriation Process

Section 15 of Chapter 190 of the Acts of 1982, as amended by Section 2 of Chapter 701 of the Acts of 1986 states that "(a) all appropriations, excepting those for school purposes, to be met with taxes, revenue or any source other than loans, shall originate with the mayor. The mayor, not later than the second Wednesday in April of each year, shall submit to the city council the annual budget of the current expenses of the city and county for the forthcoming fiscal year...

"The city council may reduce or reject any item but, except upon the recommendation of the mayor, shall not increase any item in, nor the total of, a budget nor add any item thereto, nor shall it originate a budget.

"Not later than the second Wednesday in June, the city council shall take definite action on the annual budget by adopting, reducing or rejecting it, and in the event of their failure to do so, the items and the appropriation orders in the budget as recommended by the mayor shall be in effect as if formally adopted by the city council....

"The city council shall take definite action on any supplementary appropriation order and any order for a transfer of appropriations by adopting, reducing or rejecting it within sixty days after it is filed with the city clerk...."

School Department Budget Process

Subsection 6 of Section 32 of Chapter 71 of the Acts of 1993 states that "In addition to amounts appropriated for long-term debt service, school lunches, adult education, student transportation, and tuition revenue, each municipality in the commonwealth shall annually appropriate for the support of public schools in the municipality and in any region school district to which the municipality belongs an amount equal to not less than the sum of the minimum required local contribution, federal impact aid, and all state school aid and grants for education but not including equity aid, for the fiscal year....the commissioner (of the Department of Education) shall estimate and report such amounts to each municipality and region school district as early as possible, but no later than March first for the following fiscal year."

Section 2 of Chapter 224 of the Acts of 1936, as amended by Chapter 613 of the Acts of 1987 further states that (a) "In acting on appropriations for educational costs, the city council shall vote on the goal amount of the appropriations requested by the mayor, but neither the

mayor nor the city council shall allocate appropriations among accounts or place any restriction on such appropriations. The appropriation of said city shall establish the total appropriation for the support of the public schools, but may not limit the authority of the school committee to determine expenditures within the total appropriation; provided, however, that if the city auditor determines that school department expenditures in any fiscal year are projected to be in excess of total budgeted expenditures for that fiscal year, as supported by appropriation and other available funding, then the school committee shall not reallocate or transfer funds from any item in the budget for that fiscal year to fund any such projected additional expenditures."

"(b) After the fourth Wednesday of March of any fiscal year, the school committee shall not initiate or authorize any new or additional programs or categories of expenditures requiring additional unbudgeted expenditures unless such programs or categories have been incorporated and fully funded in the budget for the subsequent fiscal year. If such programs or categories have not been incorporated and fully funded in the budget for the subsequent fiscal year, they shall not be initiated or authorized until the school committee shall have amended its budget submission for the subsequent fiscal year to reduce or eliminate other costs, programs or categories in amounts equal to the projected annualized costs of the new or additional programs or categories of expenditures."

"(c) The superintendent of schools shall prepare and submit to the school committee, the city auditor and the city office of budget management, a monthly budget update report which shall detail and itemize year-to-date and projected school department expenditures and budget transfers."

School Department Financial Affairs

Section 1B of Chapter 231 of the Acts of 1906, as amended by Chapter 613 of the Acts of 1987 notes that "(t)he school com-

mittee may delegate, in whole or in part, to the superintendent of schools the authority to approve for the school department the acceptance and expenditure of grants or gifts of funds from the federal government, charitable foundations, private corporations, individuals, or from the commonwealth, its counties, municipalities or an agency thereof, the provisions of section fifty-three A of chapter forty-four of the General Laws notwithstanding.

"(b) The superintendent of schools shall provide to the school committee, the city auditor and the city office of budget management of the City of Boston a report, detailing the source, purpose and balance on hand of all funds received or expended pursuant to subsection (a), quarterly."

Section 2 of Chapter 231 of the Acts of 1906, as amended by of Chapter 613 of the Acts of 1987 states that "(s)ubject to appropriations therefor, the superintendent of schools shall have the exclusive authority to make on behalf of the school committee contracts, or amendments to contracts, for the purchase or rental of equipment, materials, goods or supplies, leases of property, alterations and repairs of school property, and for professional or other services, with the exception of collective bargaining agreements and contracts for the transportation of students. All school department contracts or amendments to contracts shall otherwise conform to the requirements of the city charter of the city of Boston.

"(b) With respect to all contracts, agreements or amendments thereto made or entered into by the school department, the superintendent shall be responsible for establishing procedures for auditing and monitoring the compliance of the parties with the terms and obligations of such contracts, agreements or amendments thereto."

Reserve Fund

Section 7 of Chapter 701 of the Acts of 1986 requires the creation of an operating budget Reserve Fund in order to deal with "extraordinary and unforeseen ex-

penditures." The section goes on to state that "prior to the date when the tax rate for a fiscal year is fixed, include in the appropriations for such a fiscal year as a segregated reserve fund a sum not less than two and one-half percent of the preceding year's appropriations for city and county departments, excepting the school department..."

"The mayor, with the approval of the city council, may make direct drafts or transfers against this fund before the close of the fiscal year, provided that no such drafts or transfers be made before June first in any fiscal year.

"Each transfer recommended by the mayor to the city council shall be accompanied by written documentation detailing the amount of such transfers and an explanation for the transfer..."

This section further notes penalty provisions for exhausting the Reserve Fund and provisions for stepping up the fund to the 2 1/2% level. The section requires a 1% contribution for FY87, 1 1/2% for FY88, 2% for FY89 and the full 2 1/2% starting in FY90.

The section then notes that "the school department shall establish a segregated reserve fund of not less than one percent of the current fiscal year's appropriations to the school department within ten days of final approval of such appropriations. No expenditures may be made from this (school department reserve) fund before May first in any fiscal year..." and "shall require the approval of the mayor and the city council."

Budget Allotment Process and Reallocations

Section 18 of Chapter 190 of the Acts of 1982, as amended by Sections 8 and 9 of Chapter 701 of the Acts of 1986 requires that "(o)n or before August first of each year, or within ten days of the annual appropriation order for such fiscal year whichever shall occur later, the city or county officials in charge of departments or agencies, including...the school department shall submit to the city auditor, with a copy to the city clerk...an allotment

schedule of the appropriations of all personnel categories included in said budget, indicating the amounts to be expended by the department or agency for such purposes during each of the fiscal quarters of said fiscal year...(The allotment for the school department may not be greater than 20% for the first quarter, and not greater than 30% in each of the remaining three quarters.) (Allotments for city and county agencies may not exceed 30% for first or second quarters and for the third and fourth quarters may not be less than 21%.)

"Whenever the city auditor determines that any department or agency, including the school department will exhaust or has exhausted its quarterly allotment and any amounts unexpended in previous quarters, he shall give notice in writing to such effect to the department head, the mayor and the city clerk, who shall transmit the same to city council.

"The mayor, within seven days after receiving such notice, shall determine whether to waive or enforce such allotment. If the allotment...is waived or not enforced...the department or agency head shall reduce the subsequent quarter's allotments appropriately and the director of administrative services, within seven days, shall state in writing to the city council and the city clerk what reductions in each subsequent quarter's allotment will be taken or what reallocations or transfers will be made to support the spending level in each subsequent quarter's allotment. If the allotment for such quarter is enforced and not waived, thereafter the department shall terminate all personnel expenses for the remainder of such quarter....

"No personal expenses earned or accrued, within any department, shall be charged to or paid from such department's or agency's allotment of a subsequent quarter without approval by the mayor, except for subsequently determined retroactive compensation adjustments.

"Approval of a payroll for payment of wages, or salaries or other personnel expenses which would result in an expendi-

ture in excess of the allotment shall be a violation by the department or agency head....

"To insure that the overall city and county spending program remains in balance, the mayor may reallocate no more than three million dollars of non-personnel appropriations other than school appropriations during a fiscal year to other departmental purposes provided that in no department from which appropriations have been reallocated in accordance with this section shall any transfers be made...from personal services to non-personal services, except with the approval of a two-thirds vote of city council, if such transfer would require the layoff of departmental personnel, who have been permanently appointed to a position in the department....

"No reallocation may be made under this section after April fifteenth in any fiscal year.

"A list of each reallocation made by the mayor shall be transmitted to the city council and the city clerk by the city auditor by April thirtieth in any fiscal year. In each case the report shall state the accounts from which the transferred funds were taken and the accounts to which the funds were reallocated, and the reasons therefor."

Transfer of Appropriations

Section 23 of Chapter 190 of the Acts of 1982, as amended by Section 3 of Chapter 701 of the Acts of 1986 states that "(a)fter an appropriation of money has been made...no transfer of any part of the money thus appropriated, between such department or office and another department or office, shall be made, except in accordance with and after the written recommendation of the mayor to the city council, approved by a...vote of two-thirds of all the members of the city council, provided that the city auditor, with the approval in each instance of the mayor, may make transfers, other than for personal services, from any item to any other item within the appropriations for a department, division of a department or county office.

"After the close of the fiscal year, the city auditor may with the approval of the mayor in each instance, apply any income, taxes, and funds not disposed of and make transfers from any appropriation to any other appropriation for the purpose only of closing the accounts of such fiscal year, provided further that the city auditor within seventy days after the close of the fiscal year, shall transmit to city council and the city clerk a report listing what income, taxes, or funds were applied and what transfers were made and the reasons therefor."

Penalty for Overspending Budget

Section 17 of Chapter 190 of the Acts of 1982 (Tregor) states that "(n)o official of (the) city or county except in the case of extreme emergency involving the health and safety of the people or their property, shall expend intentionally in any fiscal year any sum in excess of the appropriations duly made in accordance with law, nor involve the city in any contract for the future payment of money in excess of such appropriations....

"Any official who violates the provisions of this section shall be personally liable to the city for any amounts expended intentionally in excess of an appropriation to the extent the city does not recover such amounts from the person to whom paid...."

Appropriation Restrictions

Section 10 of Chapter 701 of the Acts of 1986 requires that "the mayor and city council shall appropriate for the hospitalization and insurance account an amount not less than the average of the past three years actual expenditures from those accounts. The city auditor shall certify, in writing to the board of assessors, that adequate funds are provided in the operating budget for existing collective bargaining contracts...."

Disposition Of Surplus Property Restrictions

Section 24 of Chapter 190 of the Acts of 1982, as amended by Section 4 of Chapter 701 of the Acts of 1986, requires that "proceeds from the disposition of any surplus property shall be deposited in a separate fund which shall be known as the Surplus Property Disposition Fund, and shall be used only as follows: (1) the amount equivalent to the debt incurred, and interest paid or payable thereon, as a result of the acquisition or improvement from time to time of the property shall be used only for purposes for which the city is authorized to incur debt for a period of ten years or more; (2) all proceeds in excess of such amount shall be credited to the capital fund of the city unless the city council by a majority vote determines with the approval of the mayor to credit such proceeds to the general fund of the city."

Duties Of Supervisor Of Budgets

CBC Ord. 5, s. 5 states that "(t)he supervisor of budgets shall, under the direction of the mayor and in consultation with the director of administrative services, prepare in segregated form the annual and all supplementary budgets...and shall report to the mayor on all subsequent revisions of the items in any budget....

"The supervisor of budgets shall also prepare...all transfer orders....

"The supervisor of budgets shall further prepare...the form of estimate sheets to be used by each officer, board and department, and each division of a department for which the city appropriates money, and the form of monthly report of such officer, board and department, and each division thereof, showing expenditures to date of all appropriations by them.

"The supervisor of budgets shall, in addition, have the powers and perform the duties conferred or imposed on the budget commissioner by any statute other than section 56 of chapter 35 of the General Laws."

Boston's People and Economy



Boston - A Rich Economic and Social Heritage

The City of Boston was first incorporated as a town in 1630, and as a city in 1822. It is one of America's oldest cities, with a rich economic and social history. What began as a homesteading community, and eventually evolved into a center for social and political change, has since become the economic and cultural hub of New England.

As the region's hub, Boston is home to nearly 600,000 residents, 30 institutions of higher education, 27 inpatient hospitals, and numerous cultural and professional sports organizations. Boston based jobs, primarily within the finance, health care, educational, and services arenas, numbered more than 615,000 in 1995. In 1995, an estimated 10 million people visited Boston to take in its historic neighborhoods, attend cultural or sporting events, or conduct business.

The City provides a wide range of programs and services to meet the diverse needs of its many residents and visitors. Under the direction of Mayor Thomas M. Menino, the City is also aggressively pursuing new economic opportunities to ensure Boston will emerge as a global leader in the twenty-first century.

Boston's Role in the Regional Economy

According to the 1990 Census, Boston proper has a total population of 574,283. When considered as a Primary Metropolitan Statistical Area (PMSA), however, the population soars to over 2.8 million people. As a Consolidated Metropolitan Statistical Area (CMSA), Boston extends from York, Maine to Thompson, Connecticut and from Milton, New Hampshire to Dartmouth, Massachusetts, with a total population of over 4.2 million.

In addition to having one of the largest concentrations of population, Boston also ranks among the highest in concentration of employment and income in the U.S. In 1995, Boston supplied 615,714 jobs, or one out of every thirteen jobs in New England. The ratio of jobs to population in Boston indicates that the City provides employment opportunities for

many people who live outside of Boston. In 1990, among the 25 cities and towns with the highest per capita income in the Commonwealth, 1 in 4 working residents was employed in Boston. The City has 9.4% of the state's population, but measured in terms of jobs, Boston's economy makes up approximately 17% of the Massachusetts economy.

Boston's Changing Economy

The nature of Boston's economic base has changed dramatically over the past 35 years. In 1960, manufacturing and trade jobs accounted for 39% of the total economy, while financial and service sector jobs totaled 30%. In 1995, manufacturing and trade jobs accounted for only 17.1% of the total economy while financial and service sector jobs totaled 59.0%. These trends mirror a national movement from an industrial-based economy to a service-based economy.

The City's workforce is undergoing a transformation as well. Of the 550,561 people working in Boston in 1960, 34% held blue collar jobs and 44% held white collar jobs. In 1990, of 622,433 Boston workers, those holding blue collar jobs fell to 16%, and those employed in white collar occupations rose to 67%. The majority of these white collar jobs are within the finance, health care, education, and other broad-based service industries. (Figure 1.)

The changing needs of a service and information-based economy have increased the demand for a better educated, more highly skilled workforce. In 1990, only 24% of the adults in Boston had not completed high school, compared to 55% in 1960. A full 30% of adults had completed college in 1990, compared to only 8% in 1960.

Between 1980 and 1990, there was a 13% increase in the number of Boston residents in the workforce while there was only a 2% increase in Boston's population over the same time period. This was due to the realization by many that two incomes per household were necessary to maintain a comfortable lifestyle in the 1980s, while it had taken only one income in the 1970s. Fortunately, the

Key Indicators of Boston's Economy

Indicator	1960	1970	1980	1990	Recent
Population Total	697,000	641,000	563,000	574,283	
% Minority Population	<10%	18%	30%	37%	
% Family Households	72%	65%	53%	52%	
Poverty Rate	na	na	20.2%	18.7%	
% Not HS Graduate	55%	47%	32%	24%	
% College Graduate +	8%	10%	20%	30%	
Unemployment Rate	<6%	12.8%(75)	9.1%(82)	8.5%(91)	3.6%(12/96)
Number of Jobs	550,561	576,125	572,078	622,433	615,714(95)
% Blue Collar Jobs	34%	28%	22%	16%	
% White Collar Jobs	44%	55%	60%	67%	
% Manufacturing Jobs	16%	11%	9%	5.2%	4.7%(95)
% Trade Jobs	23%	22%	16%	13%	12.5%(95)
% Finance Jobs	11%	13%	13%	15%	14.7%(95)
% Service Jobs	19%	25%	36%	42%	44.2%(95)
Office Market Vacancy	8.1%	2.4%	1.2%	14.6%	6.7%(3Q96)
Housing Units	238,500	232,400	241,300	250,900	
% Vacant Units	6%	6.4%	9.5%	9%	
No. Units Subsidized	15,000 (6.3%)	30,000 (13%)	40,000 (17%)	45,000 (28%)	
% Owner Occupied	27%	27%	27%	31%	

Source: Boston Redevelopment Authority

Figure 1

strong economy supported 9% job growth between 1980 and 1990.

In the 1980s, Boston residents began to commute further to their jobs as well. In 1980, 25% of Boston residents worked outside of Boston. Ten years later, that number had risen to 32%.

Economic Outlook

As with any economic entity, the City of Boston has seen good times and bad. During the 1960s, the economy thrived and unemployment was consistently below 6%. In the 1970s, Boston experienced the same pain felt across the country as a national recession took hold.

From 1982 to 1989, a strong economy contributed to significant increases in real estate values in Boston and the sur-

rounding area. Housing prices and rental rates increased dramatically. The 1990-1991 recession reversed this trend, causing real estate values to fall which contributed to an overall decline in the economy.

Since 1992, Boston's economy has stabilized, and is growing steadily. In 1995, over \$1 billion in construction was initiated in the City. Much of this new development is related to area institutions, such as health care and educational facilities. Commercial rents have risen steadily as the City's office market vacancy rate has decreased significantly, from a high of 17.7% in 1991 to 6.7% in the third quarter of 1996. Due to the dropping office vacancy rate and the continued high hotel occupancy levels in Boston, developers

are planning several office and hotel projects in the City.

Boston's unemployment rate peaked during 1991 at 9.3% but has declined to 3.6% as of December 1996. During 1996, unemployment in Boston reached a high of 5.5% in June as students left school and entered the workforce but trended down in the second half of the year reaching a low of 3.6% in December. The December unemployment rate compared favorably with the Massachusetts rate of 4.1% and the national rate of 5.3%.

The Role of Higher Education, Health Care, and Financial Services Industries

Higher education, health care, and financial services play a major role in the Boston economy. An examination of Boston's 38 largest employers shows 27 are involved in these growing sectors.

Many of the nation's finest research and teaching hospitals are among the 27 inpatient hospitals in Boston, including Massachusetts General Hospital, Brigham and Women's Hospital, Beth Israel Hospital, New England Deaconess Hospital, Boston Medical Center, New England Medical Center and Children's Hospital. The City is also home to the medical and dental schools of Harvard, Tufts and Boston University, along with numerous community-based health centers. In 1995, there were 88,025 people employed in health services in the City.

In addition to the City's 27 inpatient hospitals, Boston also hosts 30 institutions of higher education. Included among the City's universities are some of the finest educational institutions in the country, including Boston College, Boston University, Harvard University, and Northeastern University.

These institutions of higher education have a major impact on the City's economy. During the 1995-1996 academic year, they brought more than 130,000 students into the City. In 1990, institutions of higher education earned an estimated \$1.7 billion in tuition fees, with payroll earnings of \$1.5 billion. In addition, stu-

dents living off-campus and student visitors spent a total of \$1.6 billion in Massachusetts and \$853 million in Boston during the 1989-1990 academic year. In the two years ending December 1993, educational institutions were responsible for \$240 million of large construction and other projects in the City.

Many of the country's leading financial services firms are located in Boston, including Fidelity Investments - the largest mutual fund company in the country, John Hancock Mutual Life Insurance, the Prudential Insurance Company, and BankBoston Corporation. The City has the distinction of being the birthplace of the mutual fund industry, and is home to numerous mutual fund organizations and money management firms. In 1995, there were 90,764 people employed in financial services, insurance, and real estate in the City.

Transportation

A key to Boston's economic well-being is the City's ability to transport residents, workers, and visitors efficiently and safely to their intended destinations. Boston's public transportation system reaches into all of the City's many neighborhoods and is linked to the commuter rail system, connecting millions of people to the central City.

The roadway system provides access to commuters through surface arteries and three limited access interstate highways which connect Boston to the national highway system: I-90 (the "Massachusetts Turnpike"), leading westward from downtown Boston to the New York State border; I-95, the East Coast's principal north-south highway, that connects Boston to New Hampshire and Maine to the north and New York City and Washington D.C. to the south; and I-93, another north-south highway, that extends from just south of the City to New Hampshire. These transportation arteries are bordered by major industrial parks and high-technology industry.

In 1995, Boston's Logan International Airport was the busiest airport in New England, the 13th busiest airport in the

United States, and the 19th busiest airport in the world, serving over 24.2 million domestic and international passengers, a 1.1% decrease from 1994. Logan airport is served by 39 domestic and international airlines and is also very important to the economy as a center for processing air cargo.

The Port of Boston provides New England businesses with excellent deep-water port facilities and access to world ports, as well as feeder service to Halifax, Nova Scotia, and New York. The Port of Boston, serving the six-state New England region, handled 1.3 million tons of containerized cargo worth over \$4 billion in 1995. The Port of Boston is also a major cruise ship port hosting over 50 cruise ship calls per year.

Boston's Changing Population

In a thirty year span, Boston's population declined from 801,000 in 1950 to 563,000 in 1980. This decline can largely be attributed to fewer families with children, and a flight to the suburbs for better schools and less crime. Since 1980, however, the City has experienced a gradual increase in total population. The 1990 U.S. Census recorded the City's population at 574,283, representing a 2% increase over the 1980 population, the first increase since the 1940s.

Boston's rich cultural heritage is reflected in the diversity of its neighborhoods. A wide range of ethnic backgrounds and countries of origin can be found in Boston's population. Since 1980, the African-American, Asian and Pacific Islander, and Hispanic populations have continued to increase, while the white population has decreased by more than 8%. This reverses a trend from 1970 to 1980, during which time there was an influx of predominantly white 25-34 year olds moving into the City. The City's minority population, which accounted for less than 10% of the total population in 1960, accounts for over 37% of today's population.

The proportion of persons in the City speaking a language other than English tends to follow the patterns of ancestry and country of birth by neighborhood.

While 80% of Bostonians speak English at home, other languages frequently spoken at home are Spanish (6%), French and Creole (3%), Italian (2%), and Chinese (2%). Other languages comprise the remaining 7% of languages spoken at home.

Economic Development

Recent trends indicate that Boston's economy is growing steadily. With the election of Thomas M. Menino as the mayor of Boston, a new cabinet form of government was established to create greater efficiency and improve the delivery of City services. Within this new structure, a Chief Economic Development Officer (CEDO) cabinet position was created. The CEDO is charged with developing a successful strategy for promoting the economic viability of the City. Two of the major agencies responsible for economic development under this cabinet, the Boston Redevelopment Authority and the Economic Development Industrial Corporation, have consolidated services to allow for a more coordinated, comprehensive approach to planning and development.

Current projects impacting the Boston economy include the Central Artery/Third Harbor Tunnel project and the Boston Harbor Clean-up. Both are funded primarily by the federal government with the Commonwealth covering the rest of the cost.

The Central Artery/Third Harbor Tunnel project is the largest public works project in the country, at an estimated cost of \$7.7 billion plus inflation. The new depressed Central Artery and Ted Williams Tunnel are expected to alleviate traffic congestion throughout the City, make Logan Airport and East Boston more accessible, support new development in South Boston, and create 15,000 jobs.

In order to clean up Boston Harbor, the Massachusetts Water Resources Authority is constructing one of the largest wastewater treatment facilities in the nation at a cost of \$3.6 billion plus inflation. The Treatment Facility Project is intended to bring wastewater discharges

in Boston Harbor into compliance with federal and state requirements.

Ongoing and future economic development projects include the Crosstown Transit Ring, plans to develop the East Boston and South Boston seaport districts, further enhancements to Boston's neighborhoods through the Enhanced Enterprise Community and Main Streets initiatives, revitalization of Blue Hill Avenue, and the construction of a new convention center.

The Crosstown Transit Ring, a plan to connect several medical, scientific research, and academic areas, - the South Bay/Newmarket area, the South End medical area, the Crosstown Industrial Park (Boston Technology Development Center), Ruggles Center, and the Longwood medical and educational area - would encourage future development and expansion of these areas.

Plans are underway to enhance the East Boston and South Boston seaport districts. Improvements are planned to parks and neighborhoods to connect residents to the waterfront areas. In South Boston, a new federal courthouse is being constructed, with plans for future hotel, retail, and tourism development, to attract new workers and visitors to the area.

Partnerships play an important role in revitalizing Boston's neighborhoods. Through the designation of Boston as an

Enhanced Enterprise Community - a partnership between the City, federal government, and private sector, the City received \$22 million in Economic Development funds. Eleven business districts were chosen to participate in the Main Streets Program - a partnership between the City and the National Trust for Historic Preservation - which will improve the marketability and business strategy of business districts, and preserve the character of surrounding residential areas.

A major initiative is underway to revitalize Blue Hill Avenue. Renovations to improve the infrastructure of business and residential areas are being made to support economic development in the area from Grove Hall to the Dudley Triangle.

In addition, the City and the Commonwealth are planning the development of a new 600,000 square foot convention facility. Combined with Boston's other development projects, construction of this facility would create greater economic opportunities and help to position Boston as a world class city of the future.

The Mayor has attempted to move this project forward by proposing a workable site in South Boston, and taking on a fair share of the cost burden with the State. The convention center proposal has a strong chance of moving forward in the Legislature this year. This project would likely give a significant boost to the local economy.

Budget Organization and Glossary



Budget Organization and Glossary of Terms

Introduction

This Chapter is a guide to the organization of Boston city government and the FY98 Operating Budget.

The City of Boston, incorporated as a town in 1630 and as a city in 1822, now exists under Chapter 486 of the Acts of 1909 and Chapter 452 of the Acts of 1948 of the Commonwealth which, as amended, constitute the City's charter. The Mayor is the chief executive officer of the City. Thomas M. Menino, the Mayor of the City, was elected in November 1993 to serve a four-year term which will end in January 1998. The Mayor has general supervision of and control over the City's boards, commissions, officers, and departments. The portion of the City budget covering appropriations for all departments and operations of the City except the School Department, and for all operations of Suffolk County other than county courts, is prepared under the direction of the Mayor.

The legislative body of the City is the City Council, which consists of thirteen members serving two-year terms, of whom four are elected at-large and nine are elected from geographic districts. The City Council may enact ordinances and adopt orders which the Mayor may either approve or veto. Ordinances and orders, except for orders for the borrowing or appropriation of money, may be enacted by the City Council over the Mayor's veto by a two-thirds vote. The City Council may reject or reduce a budget submitted to it by the Mayor, but may not increase it.

Organization of City Government: The Mayor's Cabinet

Upon election, Mayor Menino implemented a new structure in the executive branch of City government consisting of eleven cabinet members: Chief of Staff, Chief Operating Officer, Chief Financial Officer, Chief Economic Development Officer, Chief of Education, Chief of Human Services, Chief of Basic Services, Chief of Environmental Services, the two Chiefs of Public Safety, and the Corpora-

tion Counsel, the City's chief legal officer. The cabinet structure was created to delineate the major functional responsibilities of City government, in order to facilitate improvements in the conduct of the executive and administrative business of the City and the elimination of duplication and waste. Recently, the position of Chief of the Boston Housing Authority was promoted to the rank of cabinet member to reflect the important role public housing has within city government.

The structure of the Mayor's cabinet is illustrated in the city-wide organizational chart below. A description of the members of the Mayor's cabinet, the City departments for which they have authority, and their individual responsibilities, follows.

Chief Operating Officer

The COO is the key individual responsible for the daily administration of the entire City government and directly oversees the Management Information Systems, Human Resources, Graphic Arts, Purchasing Department, and the Office of Labor Relations. The COO reports directly to the Mayor, and is responsible for ensuring the satisfactory performance of City managers at all levels of City government. In addition, the COO coordinates the other members of the cabinet.

Chief Financial Officer and Collector-Treasurer

The Chief Financial Officer (CFO) oversees all of the City's financial matters, including the functions of the Treasury, Assessing, Auditing, and Workers' Compensation departments, as well as the Office of Budget Management (OBM). The Retirement Board, an independent board under Chapter 306 of the Acts of 1996, now has its expenses funded through investment earnings, but remains part of the Finance Cabinet. The City's Collector-Treasurer is responsible for supervision of the City's Treasury Department, the collection of revenues due to the City and Suffolk County, management of City borrowings and payment of all amounts due from the City, including amounts due on account of borrowings by the City in the

ORGANIZATION OF CITY GOVERNMENT

CITIZENS OF BOSTON

MAYOR

Office of the Mayor
Chief of Staff (1)
Corporation Counsel (1)
Consumer Affairs & Licensing

Neighborhood Services
Office of Public Information
Intergovernmental Relations
Youth Advisor*

Chief Operating Officer

Office of the Chief Operating Officer
Labor Relations
Human Resources

Management and Information
Services
Purchasing
Graphic Arts

Non-Mayoral Departments
(appointed by City Council)
City Clerk
City Council (elected position)
Finance Commission
(appointed by Governor)
Licensing Board
(appointed by Governor)
Registry of Deeds
(elected position)
Suffolk County Sheriff
(elected position)

Education

Boston Public
Schools

Finance

Assessing
Auditing
Office of Budget
Management
Retirement Board
Treasury
Workers'
Compensation

**Public
Safety**

Fire
Police

**Boston Housing
Authority***

Fire
Police

**Economic
Development**

Boston
Redevelopment
Authority*
Economic
Development
Industrial
Corporation*
Boston Residents Job
Policy Office
Minority & Women
Business Enterprise
Office
Neighborhood
Development
Rental Housing
Resource Center
Special Events &
Tourism

Basic Services

Boston Public
Library
Code Enforcement
Elections
Central Fleet
Maintenance
Parks & Recreation
Property
Management
Public Works
Registry Division
Transportation
Youth Fund

**Environmental
Services**

Boston Water &
Sewer Commission*
Environmental
Inspectional Services
Olmstead Park
Revitalization (2)
Open Space (2)
Planning
Recycling Program (3)

Human Services

Boston Public Health
Commission (4)
Boston Community
Centers
Community
Partnerships
Elderly Commission
Emergency Shelter
Office of Civil Rights
Office of Cultural
Affairs
Veteran's Services
Women's
Commission

* Not in Budget

(1) Has cabinet rank.

(2) Programatically within this cabinet. Financially in Parks & Recreation.

(3) Programatically within this cabinet. Financially in Public Works.

(4) The Boston Public Health Commission is an independent body public and corporate and a political subdivision of the Commonwealth created in June 1996 as successor to the City's Department of Health & Hospitals ("DHH").

form of either temporary or permanent debt.

Chief Economic Development Officer

The Chief Economic Development Officer is accountable for the planning, development, and marketing functions of the City. The Director of the Boston Redevelopment Authority serves as the Cabinet Chief. The Economic Development Cabinet is comprised of Boston Redevelopment Authority/Economic Development and Industrial Corporation (BRA/EDIC), the Department of Neighborhood Development, the Office of Minority and Women Business Enterprises, the Boston Residents Jobs Policy Office, the Rental Housing Resource Center, and the Office of Special Events and Tourism.

Chief of Education

The Superintendent of the Boston Public Schools serves on the Mayor's cabinet. Among the Cabinet responsibilities of the Superintendent is the development of a plan for schools and other City and non-City agencies to develop cooperative programs to guarantee that the best possible resources are available to Boston's children. The Superintendent is appointed by the Boston School Committee and serves as the Chief Executive Officer of the Boston Public Schools.

Chief of Human Services

The Human Services Cabinet is responsible for providing human and other supported services for all of Boston's citizens and includes the Office of Cultural Affairs, Boston Community Centers, the Elderly Commission, the Emergency Shelter Commission, the Women's Commission, the Veteran's Services Department, the Boston Public Health Commission and the Office of Civil Rights, which is comprised of the Fair Housing Commission, the Commission for People with Disabilities, and the Human Rights Commission. The Office of Community Partnerships, headed by the Chief of Human Services, is responsible for the community-based antidrug and health improvement programs, as well as running a new Office of Children and Family Services.

Chief of Basic Services

Boston's infrastructure and direct-service activities are the domain of the Basic Services Cabinet. The Public Works Department, the Parks and Recreation Department, the Property Management Department, the Transportation Department (with the exception of the Policy and Planning division and Central Artery/Third Tunnel unit, which are within the Environmental Services Cabinet), Central Fleet Maintenance, the Election Department, the Registry Division, the Boston Public Library, Code Enforcement, and the Youth Fund are included in the Basic Services Cabinet. Its charge includes investigating opportunities to apply technological innovations to reduce costs or improve the delivery of basic services.

Chief of Environmental Services

The Environmental Cabinet is made up of the Environment Department, the Inspectional Services Department, and the Boston Water and Sewer Commission, the Policy and Planning division and Central Artery/Third Harbor Tunnel unit of the Transportation Department, the Recycling Program of the Public Works Department, Open Space Planning and Olmsted System Revitalization of the Parks and Recreation Department, and the Grass-roots Program of the Department of Neighborhood Development. The Chief of Environmental Services serves as policy liaison to the Boston Public Library, and also oversees the City's relationships with the Central Artery/Third Harbor Tunnel project, mass transit planning and oversight of the Massachusetts Bay Transportation Authority ("MBTA"), and the City's relationship with the federal Environmental Protection Agency, the state Executive Office of Environmental Affairs and the Metropolitan Area Planning Commission.

Chiefs of Public Safety

The Public Safety Cabinet includes the Boston Police Department and Boston Fire Department. The Police Commissioner and Fire Commissioner both serve on the Mayor's cabinet. Together they are charged with reviewing opportunities for consolidated and shared resources to

provide more efficient public safety services to Boston's communities.

Corporation Counsel

The Corporation Counsel has supervisory authority over all City attorneys and legal affairs, and represents the City of Boston and the County of Suffolk, other than the county courts, in all litigation to which they are a party. The Law Department provides a comprehensive array of legal services including formal and informal opinions and advice to the Mayor, the City Council, the Boston School Committee and other officials in matters relating to their official duties, and also represents all of the foregoing entities and individuals in litigation of all types. In addition, the Law Department reviews all City and County contracts, pursues claims on behalf of the City through affirmative litigation, and pursues foreclosure proceedings on tax delinquent real property.

Mayor's Chief of Staff

The Mayor's Chief of Staff has authority to oversee the day-to-day operations of the Mayor and the Mayor's Office staff, to respond to requests, new developments or critical issues efficiently and effectively as well as to keep an open, direct line of communication between the Mayor and the residents of Boston in pursuing resident concerns. The Mayor's Office cabinet includes the Office of the Mayor, Neighborhood Services, Public Information, Consumer Affairs and Licensing and Intergovernmental Relations.

Organization of the Operating Budget

The City of Boston's Program Budget provides a wealth of information related to City services and their associated costs. The Operating Budget presents recommended resource allocations in terms of personnel, facilities, and goods and services. It also describes the services provided by City and County departments, divisions, commissions, and cabinets, and specifically identifies levels of services that will be provided by these entities in FY98.

The Operating Budget Document: Organization of the Volumes

Volume I provides a City-wide review of information on the FY98 budget and on the context in which it is prepared. Sections include:

- *an executive summary,*
- *a summary of the FY98-FY99 budget,*
- *the city council orders,*
- *revenue estimates and analysis,*
- *innovations in education: moving forward,*
- *the FY98 budget and performance goals,*
- *financial management,*
- *capital planning,*
- *statutes and ordinances,*
- *Boston's people and its economy, and*
- *budget organization and glossary.*

In Volume II the budgets of cabinets and the component departments are presented.

The Building Blocks: Program Budgets

Activities and services of the City are grouped into "programs" for budgeting and management purposes. The budget for each department is presented on a program-by-program basis.

A "program" is defined as:

"An organized group of activities, and the resources to carry them out, aimed at attaining one or more related objectives."

For the purposes of program budgeting and program evaluation, a program can consist of direct services to the public and neighborhoods of the City (police patrol or voter registration), or traditional City staff functions (administrative services or engineering and design).

Some City activities may not be defined as separate programs although they may be self-contained operations. For example, a fire station is not a separate program although it is a cost center, for accounting purposes, within the Fire Department's Fire Suppression Program.

While these program budgets serve as the basic building blocks of the budget, there are three additional organizational levels above the program level in the budget:

- *The Division Level: for budgeted units within some departments.*
- *The Department Level: which includes departments, commissions, and other offices.*
- *The Cabinet Level: which includes functionally related departments.*

The basic budget presentation is modified slightly depending on the structure of a department.

Understanding The Information Presented

Three basic components are used to present the FY98 budget. These are:

- *Description of the organization, its mission, its major goals, and specific services,*
- *Financial data, and*
- *Personnel data.*

Description of Organization and Definition of Categories

This outlines the structure of information reported within each department and program in the budget. It also defines what is included in the mission statements, services, performance objectives, service indicators, capital expenses, and external funds for FY98.

Department/Division Level

- *Mission statement: The mission statement is a fundamental statement of purpose.*
- *Performance Objectives: These reflect stated goals for which the division or department will be held accountable in FY98, and measured on a monthly basis.*
- *Description: This text furnishes a general overview of the department and its responsibilities, and lists examples of major services provided.*
- *Capital Expenses: Any expenditures for projects financed with capital outlays that are scheduled to come on-line between the end of FY97 through FY98 will be described here.*
- *External Funds: This section summarizes anticipated external financing for program*

services or projects overseen by City departments.

Departments or divisions report progress toward attaining the FY98 performance objectives based on more specific program outcomes on a monthly basis. This progress is summarized publicly in a mid-year and final annual report.

Program Level

- *Description and context bullets: This section furnishes a general overview of the program and its responsibilities, and lists examples of major services provided. Added context is often displayed on the demand for services or to illustrate the scope of the department's responsibilities in more detail.*
- *Program Performance Objectives: Each program identifies the relevant FY98 department objectives by which it will be measured.*
- *Program Outcomes: These illustrate the intended level achievement of overall program objectives in quantifiable terms.*
- *Selected Service Indicators: The selected indicators of service provide brief comparisons of personnel, funding, and measures of how well the program has performed throughout time, from FY94 to FY96. It also includes FY97 and FY98 projected levels of service along with budgeted staff and funding levels. Service levels may measure workload, service quality, inputs, outputs, efficiency, or productivity.*
- *In cases where the service level depends on an external factor (for example, the number of tax abatements or building permits applied for), the promised service level reflects the workload which the program is equipped to handle in an efficient and effective manner.*

Programs report levels of service outputs and achievement of promised outcomes on a monthly basis. This progress is summarized publicly in a mid-year and final annual report.

Financial Data

The financial data identify the major groups and object codes of expenditures (Personal Services/Overtime, Supplies and Materials/Food Supplies, etc.) and the historical expenditures and proposed appropriations in these groups and objects.

Two financial sheets are provided on the FY98 Operating Budget.

Department History by Object Code: The objects of expenditure are listed within six expenditure groups. Dollar amounts are shown for:

- FY95 actual expenditure,
- FY96 actual expenditure,
- FY97 appropriation,
- FY98 proposed appropriation, and
- The difference between the FY97 appropriation and the FY98 proposed appropriation.

Department Personnel Data: The personnel data show funding for permanent positions, including existing and proposed positions. All permanent positions are listed by salary grade within the department or division. The total salary request is listed for these positions.

For each position shown, the following information is provided:

- *Position:* The civil service/personnel system job title of the position.
- *Grade:* The code for the salary grade of the position.
- *Filled 3/14/97:* The number of full-time equivalent employees in this job title as of March 14, 1997.
- *Salary Requirement:* This column is used to show the full-time equivalent personnel positions that a department may fill based on available funds, and the total funding provided for that title for the fiscal year.

The total dollar, permanent personnel budget figure, shown at the bottom right of the personnel sheet, is then adjusted as follows:

- *Differential Payments:* These payments are amounts paid to employees in intermittent job titles and employees entitled to shift differential payments. This figure is an addition to salary requirements.
- *Other:* These figures, where shown, cover other payments such as sick leave and vacation buy-back, longevity pay, etc.
- *Salary Savings:* These savings, subtracted from the salary requirements calculated, are estimated amounts projected to result from employee turnover based upon historical experience, savings as a result of personnel reductions, or the payroll costs to be charged to another fund or appropriation.

Glossary of Terms

Account Number: The number by which the Auditor categorizes an appropriation. For budget purposes, also known as appropriation code.

Accrual Basis: The basis of accounting under which transactions are recognized when they occur, regardless of the timing of related cash flows.

Allotment: The amount which can be expended quarterly for personnel as submitted to the Auditor at the beginning of each fiscal year.

Appropriation: The legal authorization to expend funds during a specific period, usually one fiscal year. In Boston, the City Council is the appropriating authority.

Base Budget: A budget which describes the funding required to maintain existing levels of service or activity.

Budget: A formal estimate of expenditures and revenues for a defined period, usually for one year.

Budget Amendment: A change from originally budgeted quotas; the forms filed by departments with the Human Resources Department and the Office of Budget Management to justify these changes.

Capital Plan: A plan of proposed outlays for acquiring long-term assets and the means for financing those acquisitions. Normally financing is by long-term debt.

Cash basis: A basis of accounting under which transactions are recognized only when cash changes hands.

Chargeback: A method of assessing departments for costs incurred by them for which they are not billed directly. Charges for centrex telephone, postage, and printing are examples.

Cherry Sheet: A cherry-colored form showing all Commonwealth and county charges and reimbursements to a city or town as certified by the state Director of the Bureau of Accounts.

Collective Bargaining: The process of negotiations between the City administration and bargaining units (unions)

Exhibit Expenditure Groups, Codes, and Objects

Personal Services

0100	Permanent Employees
0110	Emergency Employees
0120	Overtime
0150	Fringe (External Funds)
0160	Unemployment Comp
0170	Workers' Comp
0180	Indirect (External Funds)

Contractual Services

0210	Communications
0220	Light, Heat, Power
0230	Water and Sewer
0250	Garbage/Waste Removal
0260	Repairs: Buildings and Structures
0270	Repairs and Service: Equipment
0280	Transport of Persons
0290	Miscellaneous Contractual Services

Supplies and Materials

0300	Auto Energy Supplies
0320	Food Supplies
0330	Heating Supplies and Materials
0340	Household Supplies and Materials
0350	Medical, Dental and Related
0360	Office Supplies and Materials
0370	Clothing Allowance
0390	Miscellaneous Supplies and Materials

Current Charges and Obligations

0440	Legal Liabilities
0450	Aid to Veterans
0460	Equipment Lease/Purchase
0470	Indemnification
0490	Other Current Charges

Equipment

0500	Automotive Equipment
0560	Office Furniture and Equipment
0590	Miscellaneous Equipment

Other

0600	Special Appropriation
0700	Structures and Improvements
0800	Land and Non-structural

regarding the salary and fringe benefits of City employees.

Commission: An appointed policy setting body.

Credit Balance: See departmental deficit.

Credit Transfer: The transfer of appropriations from one object code to another, within a department; the form used to effect such a change.

Debit Transfer: Moving actual expenditures from one object code to another within or between departments; the form used for such moves. Usually used as a correcting entry.

Department: A major service-providing entity of City government, established by law.

Departmental Deficit: A condition which exists when departmental expenditures exceed departmental appropriations. Also refers to the overexpended amount and credit balance.

Departmental Income: Income flowing to a specific City department, usually as a result of user revenues applied for services rendered. Parking meter charges, building permit fees, and traffic fines are examples of departmental income.

Division: A budgeted sub-unit of a department.

Encumbrance: Funds set aside from an appropriation to pay a known future liability.

Excise: A tax applying to a specific industry or good. The jet fuel tax and the hotel/motel occupancy tax are examples of excises.

Expenditure: An actual payment for goods or services received.

External Fund: Money received by an agency which is not generated from City sources, such as grants or trusts.

Fiscal Year: The twelve month financial period used by the City which begins July 1 and ends June 30 of the following calendar year. The City's fiscal year is numbered according to the year in which it ends.

Full Faith and Credit: A pledge of the general taxing powers for the payment of governmental obligations. Bonds carrying such pledges are usually referred to as general obligation or full faith and credit bonds.

Full-time Equivalent Position: A concept used to group together part-time positions into full-time units.

Fund: An independent fiscal and accounting entity with a self-balancing set of accounts recording cash and/or other resources with all related liabilities, obligations, reserves, and equities, segregated to carry on specific activities or attaining certain objectives. Among the fund types used by the City are: General, Special, Trust, and Capital.

GAAP: Generally Accepted Accounting Principles. There are twelve basic principles of accounting and reporting applicable to state and local governments. These include the use of the modified accrual or accrual basis of accounting, as appropriate, for measuring financial position and operating results. These principles must be observed in order to provide a basis of comparison for governmental units.

General Obligation (G.O.) Bonds: Bonds for whose payment the full faith and credit of the issuer has been pledged. More commonly, but not necessarily, general obligation bonds are payable from property taxes and other general revenues.

Goal: A statement, in general terms, of a desired condition, state of affairs, or situation. Goals are long-term in nature, and are not usually directly measurable in themselves. The establishment of goals helps define the mission that agencies need to carry out.

Grant Year: The grant accounting period designated by the requirements of a specific grant.

Headcount: The actual number of full-time or full-time equivalent employees in a department at any given point in time. The headcount will change from time to time as employees are hired or terminated.

Line Item: See Object Code.

Mission: A fundamental description of what is done, including a general overview of the purposes and major activities of an agency or program.

Modified Accrual Basis: The accrual basis of accounting adapted to the governmental fund type, wherein only current assets and current liabilities are generally reported on fund balance sheets, and fund operating statements present "financial flow" information (revenues and expenditures). Revenues are recognized when they become both "measurable" and "available to finance expenditures of the current period." Expenditures are recognized when the related fund liability is incurred except for a few specific exceptions. All governmental funds and expendable trust funds are accounted for using the modified accrual basis of accounting.

Object Code: An expenditure classification according to the type of item purchased or service obtained; for example, emergency employees, communications, food supplies, automotive equipment.

Objective: See Performance Objective.

Operating Budget: A legally adopted plan for anticipated expenditures for personnel, supplies, and services in one fiscal year.

Outcome: A quantifiable, reportable measure of the intended performance objective; reflects the results of a program in terms of impact on the level of need or the problem being addressed.

Performance Measure: An indicator of achievement. Measures can be defined for identifying output, work or service quality, efficiency, effectiveness, and productivity.

Performance Objective: A statement of proposed accomplishments or attainments. Objectives are short-term in nature and are measurable.

Program: An organized group of activities, and the resources to carry them out, aimed at attaining one or more related objectives.

Program Evaluation: The process of comparing actual service levels achieved with promised results; also refers to assessing, for the purpose of improving, the way a program operates.

Proposition 2 1/2: A state-wide tax limitation initiative petition limiting the property tax levy in cities and towns in the Commonwealth to 2 1/2% of the full and fair cash valuation of the taxable real and personal property in that city or town. The statute also places an annual growth cap of 2 1/2% on the increase in the property tax levy.

Quota: The planned number of positions which can be funded by a department budget. This can refer either to specific titles or to the number of personnel funded in the entire department. The quota of positions will change, from time to time, by means of a budget amendment. The actual number of personnel working in a department at any one point in time may differ from the quota.

Reallocation: A transfer or transfers of appropriations of up to \$3 million that may be authorized by the Mayor prior to April 15 in a given fiscal year, to relieve departmental deficits, or meet unanticipated financial problems.

Reserve Fund: An appropriation for contingencies.

Revenue: Income received by the City.

Salary Savings: For budget purposes, an amount that will be saved from annual turnover of personnel in any department.

Special Appropriation: An authorization to expend funds for a specific project not encompassed by normal operating categories.

Special Revenue Fund: Used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or sources for major capital projects) that are legally restricted to expenditures for specific purposes. A special revenue fund is accounted for in the same manner as a General Fund.

STAT: Statutory accounting and reporting which is adopted by a legislative body of a governmental entity. The method of re-

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cording and reporting actual expenditures and revenues within a plan of financial operations that establishes a basis for the control and evaluation of activities financed through the General Fund. When the budget basis and basis of accounting are different, a governmental unit usually maintains its records on a budget basis.

State Distributions: All City revenue flowing from the state. Major categories include reimbursement for loss of taxes, educational distributions and reimbursements, funds for direct education expenditures, general government reimbursements and distributions.

Sub-Object: A detailed breakdown of an Object Code.

Sub-Program: A sub-program is defined discretely, for purposes of management,

which along with other related sub-programs makes up a larger program.

Supplementary Appropriation: An appropriation submitted to the City Council after the operating budget has been approved, which must specify a revenue source.

Third Party Payment: Medical payments, usually from an insurance carrier to a health care provider on behalf of an injured or infirm party.

Trust Funds: Funds held by the City in a fiduciary role, to be expended for the purposes specified by the donor.

Unliquidated Reserve: A fund established at year-end, used to pay for goods and services received this year, but not billed until next year.

